

Siyathemba

LOCAL MUNICIPALITY



(These statements have not been audited)

FINANCIAL STATEMENTS

30 JUNE 2020

SIYATHEMBA LOCAL MUNICIPALITY

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SIYATHEMBA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

NATURE OF BUSINESS

Siyathemba Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

Siyancuma Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Siyathemba Municipality includes the following areas:

Prieska
Niekerkshoop
Marydale
Copperton

MEMBERS OF THE COUNCIL

| | |
|-------------------------------|---------------------|
| <i>Mayor - From 01/03/20</i> | <i>GA. Speelman</i> |
| <i>Mayor - Until 29/02/20</i> | <i>HME. Tsume</i> |
| <i>Councillor</i> | <i>PW. Saaiman</i> |
| <i>Councillor</i> | <i>G. Maritz</i> |
| <i>Councillor</i> | <i>JT. Yawa</i> |
| <i>Councillor</i> | <i>EVA. Adams</i> |
| <i>Councillor</i> | <i>W. Pelster</i> |
| <i>Councillor</i> | <i>G. Mackay</i> |
| <i>Councillor</i> | <i>S. Saaiman</i> |

MUNICIPAL MANAGER

IWJ Stadhouer

CHIEF FINANCIAL OFFICER

HH Meiring

REGISTERED OFFICE

| | |
|------------------------|--------------------|
| <i>Victoria Street</i> | <i>P.O. Box 16</i> |
| <i>Prieska</i> | <i>Prieska</i> |
| <i>8940</i> | <i>8940</i> |

GRADING

Grade 2

Medium Capacity

AUDITORS

Auditor-General (NC)

Private Bag X5013

KIMBERLEY

8300

PRINCIPLE BANKERS

ABSA Bank, Prieska

ATTORNEYS

Herman van Heerden Attorneys

Voster & Associates

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)

Collective Agreements

Division of Revenue Act

Electricity Act (Act no 41 of 1987)

Employment Equity Act (Act no 55 of 1998)

Housing Act (Act no 107 of 1997)

Infrastructure Grants

Municipal Budget and Reporting Regulations

Municipal Finance Management Act (Act no 56 of 2003)

Municipal Planning and Performance Management Regulations

Municipal Property Rates Act (Act no 6 of 2004)

Municipal Regulations on Standard Chart of Accounts

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Systems Amendment Act (Act no 7 of 2011)

SALBC Leave Regulations

Skills Development Levies Act (Act no 9 of 1999)

Supply Chain Management Regulations, 2005

The Income Tax Act

Unemployment Insurance Act (Act no 30 of 1966)

Value Added Tax Act

Water Services Act (Act no 108 of 1997)

SIYATHEMBA LOCAL MUNICIPALITY

MEMBERS OF THE SIYATHEMBA LOCAL MUNICIPALITY

| WARD | COUNCILLOR |
|--------------|---------------------|
| 1 | <i>HME. Tsume</i> |
| 2 | <i>G. Maritz</i> |
| 3 | <i>EVA. Adams</i> |
| 4 | <i>GA. Speelman</i> |
| 5 | <i>PW. Saaiman</i> |
| Proportional | <i>JT. Yawa</i> |
| Proportional | <i>W. Pelster</i> |
| Proportional | <i>G. Mackay</i> |
| Proportional | <i>S. Saaiman</i> |

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2020, which are set out on pages 1 to 117 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

IWJ Stadhouer
Municipal Manager

31 October 2020
Date

SIYATHEMBA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

| | Notes | 2020 R (Actual) | 2019 R (Restated) |
|--|-------|-----------------------|-------------------------|
| ASSETS | | | |
| Non-Current Assets | | 550 188 376 | 540 581 388 |
| Property, Plant and Equipment | 2 | 428 402 974 | 408 163 606 |
| Investment Property | 3 | 119 512 600 | 119 512 600 |
| Intangible Assets | 4 | 39 586 | 23 172 |
| Heritage Assets | 5 | 1 514 350 | 1 514 350 |
| Capitalised Restoration Cost | 6 | 700 807 | 11 348 010 |
| Operating Lease Asset | 12 | 18 059 | 19 650 |
| Current Assets | | 47 772 088 | 41 925 730 |
| Inventory | 8 | 467 315 | 329 733 |
| Trade Receivables from exchange transactions | 9 | 15 481 668 | 12 500 948 |
| Other Receivables from non-exchange transactions | 10 | 3 605 124 | 2 908 097 |
| Operating Lease Asset | 12 | 1 592 | 7 264 |
| Taxes | 13 | 15 111 216 | 7 035 045 |
| Current Portion of Long term Receivables | 7 | - | 1 994 |
| Cash and Cash Equivalents | 14 | 13 105 172 | 19 142 650 |
| Total Assets | | 597 960 463 | 582 507 118 |
| NET ASSETS AND LIABILITIES | | | |
| Non-Current Liabilities | | 20 919 883 | 32 710 607 |
| Long-term Liabilities | 15 | 781 845 | 1 160 804 |
| Employee benefits | 16 | 11 662 799 | 12 805 515 |
| Non-Current Provisions | 17 | 8 475 239 | 18 744 289 |
| Current Liabilities | | 149 688 474 | 115 746 361 |
| Consumer Deposits | 18 | 897 437 | 826 584 |
| Current Employee benefits | 19 | 6 196 368 | 5 281 415 |
| Provisions | 20 | 4 462 781 | 3 916 629 |
| Payables From Exchange Transactions | 21 | 125 716 526 | 81 683 397 |
| Unspent Conditional Government Grants and Receipts | 22 | 11 894 319 | 23 436 811 |
| Current Portion of Long-term Liabilities | 15 | 521 043 | 601 524 |
| Total Liabilities | | 170 608 357 | 148 456 969 |
| Net Assets | | 427 352 107 | 434 050 150 |
| Accumulated Surplus | | 427 352 107 | 434 050 150 |
| Total Net Assets and Liabilities | | 597 960 463 | 582 507 118 |

SIYATHEMBA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

| | Notes | 2020 (Actual) R | 2019 (Restated) R | Correction of error R | 2019 (Previously reported) R |
|--|-------|-----------------------|-------------------------|-----------------------------|------------------------------------|
| REVENUE | | | | | |
| Revenue from Non-exchange Transactions | | 96 282 640 | 80 998 461 | - | 80 998 461 |
| Taxation Revenue | | 13 743 656 | 12 579 895 | - | 12 579 895 |
| Property taxes | 23 | 13 743 656 | 12 579 895 | - | 12 579 895 |
| Transfer Revenue | | 80 561 869 | 66 733 686 | - | 66 733 686 |
| Government Grants and Subsidies - Capital | 24 | 41 234 492 | 30 715 908 | - | 30 715 908 |
| Government Grants and Subsidies - Operating | 24 | 38 061 000 | 35 308 000 | - | 35 308 000 |
| Public Contributions and Donations | 25 | 1 266 377 | 709 778 | - | 709 778 |
| Other Revenue | | 1 977 115 | 1 684 880 | - | 1 684 880 |
| Actuarial Gains | 16 | 1 975 515 | 1 684 880 | - | 1 684 880 |
| Revenue from Exchange Transactions | | 48 951 258 | 41 361 985 | 256 386 | 41 105 600 |
| Service Charges | 26 | 42 820 734 | 36 811 248 | 256 386 | 36 554 863 |
| Rental of Facilities and Equipment | | 926 447 | 974 677 | - | 974 677 |
| Interest Earned - external investments | | 487 287 | 544 173 | - | 544 173 |
| Interest Earned - outstanding debtors | | 2 068 204 | 1 771 798 | - | 1 771 798 |
| Agency Services | | 354 694 | 754 825 | - | 754 825 |
| Other Income | 27 | 2 293 891 | 505 264 | - | 505 264 |
| Total Revenue | | 145 233 898 | 122 360 447 | 256 386 | 122 104 061 |
| EXPENDITURE | | | | | |
| Employee related costs | 28 | 45 521 638 | 42 954 703 | - | 42 954 703 |
| Remuneration of Councillors | 29 | 3 509 577 | 3 542 941 | - | 3 542 941 |
| Bad Debts Written Off | 30 | - | - | - | - |
| Collection Cost | | 1 871 | 3 637 | - | 3 637 |
| Depreciation and Amortisation | 35 | 19 948 839 | 26 370 555 | 119 744 | 26 250 811 |
| Lease Rentals on Operating lease | | 730 388 | 345 101 | - | 345 101 |
| Repairs and Maintenance | | 4 267 551 | 3 722 529 | - | 3 722 529 |
| Finance Charges | 33 | 10 445 624 | 8 024 260 | - | 8 024 260 |
| Bulk Purchases | 34 | 23 470 191 | 19 425 178 | 40 745 | 19 384 433 |
| Stock Adjustments | 34 | 368 606 | 246 135 | - | 246 135 |
| General Expenses | 36 | 26 478 774 | 21 699 060 | - | 21 699 060 |
| Total Expenditure | | 134 743 060 | 126 334 099 | 160 489 | 126 173 609 |
| Operating Surplus/(Deficit) for the Year | | 10 490 838 | (3 973 652) | 95 896 | (4 069 548) |
| Reversal of Debt Impairment/(Debt Impairment) on Receivables | 31 | (17 361 422) | (14 074 101) | - | (14 074 101) |
| Gains/(Loss) on Sale of Property, Plant and Equipment | 2 | (273 664) | 442 953 | - | 442 953 |
| Reversal of Impairment Loss/(Impairment Loss) on Property, Plant and Equipment | 32 | 31 407 | (14 956) | - | (14 956) |
| Profit/(Loss) on Fair Value Adjustments | 3 | 414 795 | 70 768 810 | - | 70 768 810 |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | | (6 698 045) | 53 149 055 | 95 896 | 53 053 158 |

SIYATHEMBA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

| | Notes | Accumulated Surplus/ (Deficit) | Total |
|--|-------|--------------------------------------|--------------------|
| | | R | R |
| Balance at 1 July 2018 | | 381 507 623 | 381 507 623 |
| Correction of error | 37.06 | (606 527) | (606 527) |
| Restated Balance at 1 July 2018 | | 380 901 096 | 380 901 096 |
| Net Surplus for the year | | 53 053 158 | 53 053 158 |
| Correction of error | 37.07 | 95 896 | 95 896 |
| Restated Balance at 1 July 2019 | | 434 050 150 | 434 050 150 |
| Net (Deficit) for the year | | (6 698 045) | (6 698 045) |
| Balance at 30 June 2020 | | 427 352 107 | 427 352 107 |

SIYATHEMBA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

| | Notes | 2020 R | 2019 R |
|---|-----------|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Property rates, penalties & collection charges | | 8 051 540 | 11 020 924 |
| Service charges | | 17 584 504 | 17 353 981 |
| Other revenue | | 13 632 530 | 4 657 101 |
| Government - operating | | 38 061 000 | 35 308 000 |
| Government - capital | | 23 313 356 | 54 150 519 |
| Interest | | 487 287 | 544 173 |
| Payments | | | |
| Suppliers | | (10 702 927) | (25 223 238) |
| Employee costs | | (49 031 215) | (46 497 643) |
| Finance charges | | (7 012 208) | (5 058 653) |
| Net Cash from Operating Activities | 38 | 34 383 868 | 46 255 164 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | 2 | (39 715 338) | (27 430 500) |
| Proceeds on Disposal of Fixed Assets | | 252 874 | 968 679 |
| Purchase of Intangible Assets | 4 | (27 999) | (7 478) |
| Net Cash from Investing Activities | | (39 490 463) | (26 469 299) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Loans raised | | - | - |
| Loans (repaid) | | (1 002 490) | (844 514) |
| (Increase)/Decrease in Long-term Receivables | | 752 | 2 837 |
| Increase/(Decrease) in Non-Current Provisions | | - | - |
| Increase/(Decrease) in Consumer Deposits | | 70 853 | 50 369 |
| Net Cash from Financing Activities | | (930 883) | (791 305) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (6 037 478) | 18 994 560 |
| Cash and Cash Equivalents at the beginning of the year | | 19 142 650 | 148 091 |
| Cash and Cash Equivalents at the end of the year | 39 | 13 105 172 | 19 142 650 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (6 037 478) | 18 994 560 |

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

| | 2020 R (Actual) | 2020 R (Final Budget) | 2020 R (Variance) | Explanations for material variances |
|--|-----------------------|-----------------------------|-------------------------|---|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 13 105 172 | 9 299 453 | 3 805 719 | The municipality received extra Grant Funding |
| Call investment deposits | - | - | - | |
| Consumer debtors | 30 592 884 | 5 441 611 | 25 151 273 | During the budget process the municipality planned to write-off old debt, This could not be done, due to th ereduced hours worked during the Covid pandemic |
| Other Receivables | 3 606 716 | 618 | 3 606 098 | During the budget process the municipality planned to write-off old debt, This could not be done, due to th ereduced hours worked during the Covid pandemic |
| Current portion of long-term receivables | - | - | - | |
| Inventory | 467 315 | 26 | 467 289 | During the covid pandemic the municipality bought extra equipment/consumables to be used for the water supply in the informal settlement. |
| Total current assets | 47 772 088 | 14 741 708 | 33 030 380 | |
| Non current assets | | | | |
| Long-term receivables | 18 059 | 4 | 18 055 | During the budget process the municipality planned to write-off old debt, This could not be done, due to th ereduced hours worked during the Covid pandemic |
| Investment property | 119 512 600 | 1 | 119 512 599 | The budget figurre was disclosed incorrectly |
| Property, plant and equipment | 429 103 781 | 444 191 595 | (15 087 814) | The difference was due to a calculation error in the depreciation |
| Intangible Assets | 39 586 | 3 | 39 583 | During the budget process the municipality did not split Intangible assets from PPE |
| Heritage Assets | 1 514 350 | - | 1 514 350 | During the budget process the municipality intended to donate the heritage assets to a museum with the Northern Cape. |
| Total non current assets | 550 188 376 | 444 191 603 | 105 996 773 | |
| TOTAL ASSETS | 597 960 463 | 458 933 311 | 139 027 152 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank overdraft | - | - | - | |
| Borrowing | 521 043 | 2 402 | 518 641 | During the year the municipality re-newed one of the leases |
| Consumer deposits | 897 437 | - | 897 437 | The budget tool ussed did not pull through to the B-Schedule |
| Trade and other payables | 137 610 845 | 19 817 558 | 117 793 287 | The budget tool ussed did not pull through to the B-Schedule |
| Provisions and Employee Benefits | 10 659 149 | 3 | 10 659 146 | The budget tool ussed did not pull through short-term portion to the B-Schedule |
| Total current liabilities | 149 688 474 | 19 819 963 | 129 868 511 | |
| Non current liabilities | | | | |
| Borrowing | 781 845 | 24 396 | 757 449 | During the year the municipality re-newed one of the leases |
| Provisions and Employee Benefits | 20 138 038 | 9 097 691 | 11 040 347 | |
| Total non current liabilities | 20 919 883 | 9 122 087 | 11 797 796 | |
| TOTAL LIABILITIES | 170 608 357 | 28 942 050 | 141 666 307 | |
| NET ASSETS | 171 390 202 | 429 991 261 | (258 601 059) | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | 427 352 107 | 432 375 000 | (5 022 893) | |
| TOTAL COMMUNITY WEALTH/EQUITY | 427 352 107 | 432 375 000 | (5 022 893) | |

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020
ADJUSTMENTS TO APPROVED BUDGET

| | 2020 R (Approved Budget) | 2020 R (Adjustments) | 2020 R (Final Budget) | Explanations for material adjustments |
|--------------------------------------|--------------------------------|----------------------------|-----------------------------|---|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 1 615 161 | 7 684 292 | 9 299 453 | The municipality received extra Grant Funding |
| Call investment deposits | - | - | - | |
| Consumer debtors | 23 893 773 | (18 452 162) | 5 441 611 | During the budget process the municipality planned to write-off old debt, This could not be done, due to the reduced hours worked during the Covid pandemic |
| Other Receivables | (16 684 032) | 16 684 650 | 618 | |
| Inventory | 26 | - | 26 | |
| Total current assets | 8 824 928 | 5 916 780 | 14 741 708 | |
| Non current assets | | | | |
| Long-term receivables | 4 | - | 4 | |
| Investment property | 1 | - | 1 | |
| Property, plant and equipment | 451 844 202 | (7 652 607) | 444 191 595 | The difference was due to a calculation error in the depreciation |
| Intangible Assets | 3 | - | 3 | |
| Heritage Assets | - | - | - | |
| Total non current assets | 451 844 210 | (7 652 607) | 444 191 603 | |
| TOTAL ASSETS | 460 669 138 | (1 735 827) | 458 933 311 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank overdraft | - | - | - | |
| Borrowing | 2 673 360 | (2 670 958) | 2 402 | |
| Consumer deposits | - | - | - | |
| Trade and other payables | 39 801 770 | (19 984 212) | 19 817 558 | The budget tool used did not pull through to the B-Schedule |
| Provisions and Employee Benefits | 3 | - | 3 | |
| Total current liabilities | 42 475 133 | (22 655 170) | 19 819 963 | |
| Non current liabilities | | | | |
| Borrowing | 2 374 867 | (2 350 471) | 24 396 | |
| Provisions and Employee Benefits | 20 068 114 | (10 970 423) | 9 097 691 | |
| Total non current liabilities | 22 442 981 | (13 320 894) | 9 122 087 | |
| TOTAL LIABILITIES | 64 918 115 | (35 976 065) | 28 942 050 | |
| NET ASSETS | 395 751 023 | 34 240 238 | 429 991 261 | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | - | 432 375 000 | 432 375 000 | |
| TOTAL COMMUNITY WEALTH/EQUITY | - | 432 375 000 | 432 375 000 | |

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

| | 2020 R (Actual) | 2020 R (Final Budget) | 2020 R (Variance) | Explanations for material variances |
|---|-----------------------|-----------------------------|-------------------------|---|
| REVENUE BY SOURCE | | | | |
| Property rates | 13 743 656 | 13 835 219 | (91 563) | |
| Service charges | 42 820 734 | 40 217 033 | 2 603 701 | During the year the municipality took on 1 new high end consumer |
| Rental of facilities and equipment | 926 447 | 10 237 835 | (9 311 388) | Rental Opportunities did not realise as anticipated during the budget process |
| Interest earned - external investments | 487 287 | 4 295 | 482 992 | The municipality did not anticipate extra money from grant funding |
| | | | | During the budget process the municipality planned to write-off old debt, This could not be done, due to the reduced hours worked during the Covid pandemic |
| Interest earned - outstanding debtors | 2 068 204 | 1 707 673 | 360 531 | The municipality planned for new traffic officers, but due to covid the municipality could not appoint, therefore income did not realise |
| Fines | 1 600 | 13 825 | (12 225) | |
| Licences and permits | - | 1 206 418 | (1 206 418) | Income from traffic department did not pull through on final budget |
| | | | | Income from traffic department did not pull through on final budget |
| Agency services | 354 694 | 1 | 354 693 | |
| Government Grants and Subsidies - Operating | 39 327 377 | 38 429 002 | 898 375 | Municipality received extra grants funding |
| Other revenue | 4 684 201 | 1 600 517 | 3 083 684 | The municipality did not anticipate other revenue to increase that much |
| Gains on disposal of PPE | - | - | - | |
| Total Operating Revenue | 104 414 200 | 107 251 818 | (2 837 618) | |
| EXPENDITURE BY TYPE | | | | |
| Employee related costs | 45 521 638 | 34 509 939 | 11 011 699 | Employee benefits did not pull through on the budget |
| Remuneration of councillors | 3 509 577 | 2 682 982 | 826 595 | Employee benefits did not pull through on the budget |
| | | | | During the budget process the municipality planned to write-off old debt, This could not be done, due to the reduced hours worked during the Covid pandemic |
| Debt impairment | 17 361 422 | 586 | 17 360 836 | |
| Depreciation & asset impairment | 19 917 431 | 16 674 875 | 3 242 556 | Incorrect calculation of the Depreciation |
| Finance charges | 10 445 624 | 1 044 279 | 9 401 345 | This was due to the increase in the liability figure |
| Bulk purchases | 23 838 797 | 20 842 000 | 2 996 797 | During the year the municipality took on 1 new high end consumer |
| Other materials | - | 19 | (19) | |
| Contracted services | - | 12 472 936 | (12 472 936) | |
| Grants and subsidies paid | - | 1 743 823 | (1 743 823) | |
| | | | | During the under review Contracted Services and Grants and Subsidies paid was combined with Other Expenditure |
| Other expenditure | 31 478 585 | 7 413 781 | 24 064 804 | |
| Loss on disposal of PPE | 273 664 | - | 273 664 | During the budget process the municipality did not do this calculation |
| Total Operating Expenditure | 152 346 738 | 97 385 220 | 54 961 518 | |
| Operating Surplus/(Deficit) for the year | (47 932 538) | 9 866 598 | (57 799 136) | |
| Government Grants and Subsidies - Capital | 41 234 492 | 17 389 003 | 23 845 489 | The municipality received extra grant funding |
| Net Surplus/(Deficit) for the year | (6 698 045) | 27 255 601 | (33 953 646) | |

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

| | 2020 R (Approved Budget) | 2020 R (Adjustments) | 2020 R (Final Budget) | Reasons for material adjustments |
|---|--------------------------------|----------------------------|-----------------------------|---|
| REVENUE BY SOURCE | | | | |
| Property rates | 13 835 556 | (337) | 13 835 219 | |
| Service charges | 40 217 034 | (1) | 40 217 033 | MSCOA error corrected |
| Rental of facilities and equipment | 10 237 667 | 169 | 10 237 835 | Expected rental income did not realise. |
| Interest earned - external investments | 4 294 | 1 | 4 295 | |
| Interest earned - outstanding debtors | 1 707 669 | 4 | 1 707 673 | MSCOA error corrected |
| Fines | 13 824 | 1 | 13 825 | |
| Licences and permits | 1 206 414 | 4 | 1 206 418 | |
| Agency services | 1 | - | 1 | |
| Government Grants and Subsidies - Operating | 38 429 000 | 2 | 38 429 002 | Extra funding received |
| Other revenue | 1 600 400 | 117 | 1 600 517 | |
| Gains on disposal of PPE | - | - | - | |
| Total Operating Revenue | <u>107 251 859</u> | <u>(41)</u> | <u>107 251 818</u> | |
| EXPENDITURE BY TYPE | | | | |
| Employee related costs | 39 109 935 | (4 599 996) | 34 509 939 | At the time of the adjustment budget the municipality did not fill all expected vacancies |
| Remuneration of councillors | 2 682 982 | - | 2 682 982 | |
| Debt impairment | 586 | - | 586 | |
| Depreciation & asset impairment | 16 674 875 | - | 16 674 875 | |
| Finance charges | 1 444 277 | (399 998) | 1 044 279 | Increase in the debt to Eskom |
| Bulk purchases | 21 842 261 | (1 000 261) | 20 842 000 | During the year the municipality took on 1 new high end consumer |
| Other materials | - | 19 | 19 | |
| Contracted services | 12 472 936 | - | 12 472 936 | The municipality under budgeted for contracted services |
| Grants and subsidies paid | 1 743 824 | (1) | 1 743 823 | |
| Other expenditure | 7 413 781 | - | 7 413 781 | |
| Loss on disposal of PPE | - | - | - | |
| Total Operating Expenditure | <u>103 385 457</u> | <u>-6 000 237</u> | <u>97 385 220</u> | |
| Operating Surplus for the year | <u>3 866 401</u> | <u>6 000 197</u> | <u>9 866 598</u> | |
| Government Grants and Subsidies - Capital | <u>17 389 000</u> | <u>3</u> | <u>17 389 003</u> | |
| Net Surplus for the year | <u><u>21 255 401</u></u> | <u><u>6 000 200</u></u> | <u><u>27 255 601</u></u> | |

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

| | 2020 R (Actual) | 2020 R (Final Budget) | 2020 R (Variance) | Explanations for material variances |
|--|-----------------------|-----------------------------|-------------------------|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Property rates, penalties & collection charges | 8 051 540 | 11 402 420 | (3 350 880) | Difference was due to error in calculation of Rates |
| Service charges | 17 584 504 | 29 692 720 | (12 108 216) | Difference was due to error in calculation of Rates |
| Other revenue | 13 632 530 | 6 805 200 | 6 827 330 | The municipality did not anticipate other revenue to increase that much |
| Government - operating | 38 061 000 | 36 950 000 | 1 111 000 | ES Was withheld during the year |
| Government - capital | 23 313 356 | 17 389 000 | 5 924 356 | Municipality received extra Grants from National Departments |
| Interest | 487 287 | - | 487 287 | Error in the budget tool |
| Payments | | | | |
| Suppliers | (10 702 927) | (70 988 000) | 60 285 073 | Payments to suppliers and employee cost was combined in the Budget Template |
| Employee costs | (49 031 215) | | | Payments to suppliers and employee cost was combined in the Budget Template |
| Finance charges | (7 012 208) | (1 442 000) | (5 570 208) | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 34 383 868 | 28 065 340 | 55 349 743 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Proceeds on disposal of Assets | 252 874 | - | 252 874 | |
| Decrease/(increase) in non-current receivables | 752 | - | 752 | |
| Payments | | | | |
| Capital assets | (39 743 337) | (17 389 000) | (22 354 337) | |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (39 489 710) | (17 389 000) | -22 100 710 | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Borrowing | - | - | - | |
| Increase/(decrease) in consumer deposits | 70 853 | - | 70 853 | |
| Payments | | | | |
| Repayment of borrowing | (1 002 490) | (540 767) | (461 723) | |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (931 637) | (540 767) | (390 870) | |
| NET INCREASE/(DECREASE) IN CASH HELD | -6 037 480 | 10 135 573 | 32 858 162 | |
| Cash and Cash Equivalents at the beginning of the year | 19 142 650 | - | 19 142 650 | |
| Cash and Cash Equivalents at the end of the year | (13 105 172) | 10 135 573 | (23 240 745) | |

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

| | 2020 R (Approved Budget) | 2020 R (Adjustments) | 2020 R (Final Budget) | Reasons for material adjustments |
|--|--------------------------------|----------------------------|-----------------------------|----------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Property rates, penalties & collection charges | 11 402 420 | | 11 402 420 | |
| Service charges | 29 692 720 | | 29 692 720 | |
| Other revenue | 6 805 200 | - | 6 805 200 | |
| Government - operating | 36 950 000 | - | 36 950 000 | |
| Government - capital | 17 389 000 | - | 17 389 000 | |
| Interest | - | - | - | |
| Payments | | | | |
| Suppliers and Employees | (76 988 000) | 6 000 000 | (70 988 000) | |
| Finance charges | (1 442 000) | - | (1 442 000) | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 22 065 340 | 6 000 000 | 28 065 340 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Proceeds on disposal of Assets | - | - | - | |
| Decrease/(increase) in non-current receivables | - | - | - | |
| Payments | | | | |
| Capital assets | (17 389 000) | - | (17 389 000) | |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (17 389 000) | - | (17 389 000) | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Borrowing | - | - | - | |
| Increase/(decrease) in consumer deposits | - | - | - | |
| Payments | | | | |
| Repayment of borrowing | (540 767) | - | (540 767) | |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | -540 767 | - | (540 767) | |
| NET INCREASE/(DECREASE) IN CASH HELD | 4 135 573 | 6 000 000 | 10 135 573 | |
| Cash and Cash Equivalents at the beginning of the year | - | - | - | |
| Cash and Cash Equivalents at the end of the year | 4 135 573 | 6 000 000 | 10 135 573 | |

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP

These accounting policies are consistent with the previous period. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

1.2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparisons of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2019/20 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

| REFERENCE | TOPIC | EFFECTIVE DATE |
|---|--|----------------|
| GRAP 34 (Revised – April 2020) | <p><u>Separate Financial Statements</u></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> | 1 April 2020 |
| GRAP 35 (Revised – April 2020) | <p><u>Consolidated Financial Statements</u></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | 1 April 2020 |
| GRAP 36 (Revised – April 2020) | <p><u>Investments in Associates and Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | 1 April 2020 |
| GRAP 37 (Revised – April 2020) | <p><u>Joint Arrangements</u></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | 1 April 2020 |
| GRAP 38 (Revised - April 2020) | <p><u>Disclosure of Interest in Other Entities</u></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint</p> | 1 April 2020 |

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | |
|--|--|--------------|
| | <p>arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | |
| GRAP 104 (Revised – April 2020) | <p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> | Unknown |
| GRAP 110 (Revised – April 2020) | <p><u>Living and non-living resources</u></p> <p>The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | 1 April 2020 |
| IGRAP 20 | <p><u>Accounting for Adjustments on Revenue</u></p> <p>The Interpretation clarifies the accounting for adjustments to:</p> <p>a) exchange and non-exchange revenue charged in terms of legislation or similar means; and</p> <p>b) interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal, or objection process.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation</p> | 1 April 2020 |

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9 SIGNIFICANT JUDGEMENT AND ESTIMATES

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Trade receivables

The municipality assesses its trade receivables at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Impairment of Statutory Receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is

available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate **or** net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.10 INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both land and buildings held under a finance lease) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- administrative purposes, or
- sale in the ordinary course of operations.

Property with a currently undetermined use is also classified as investment property.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is measured at cost.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent measurement – Fair Value Model

Subsequent to initial recognition, items of investment property is measured at fair value. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Compensation from third parties

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Operating leases

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.11 PROPERTY, PLANT AND EQUIPMENT

Initial recognition:

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost, at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Any transaction cost incurred is recognised as part of the cost of the asset.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|--|----------------------------|--|
| Infrastructure: <ul style="list-style-type: none"> - Electricity network - Roads and storm water network - Sanitation network - Water network | Straight line | 2 - 45 years 2 - 100 years 3 - 46 years 2 - 58 years |
| Community: <ul style="list-style-type: none"> - Community facilities - Sport and recreational facilities | Straight line | 1 - 50 years 1 - 50 years |
| Other property, plant and equipment <ul style="list-style-type: none"> - Housing - Operational buildings - Emergency equipment - Furniture and fittings - Motor vehicles - Office equipment - Plant and equipment - Leased assets | Straight line | 1 - 50 years 1 - 50 years 1 - 5 years 1 - 14 years 1 - 11 years 1 - 14 years 1 - 14 years 2 - 9 years |
| Capitalised restoration cost | Straight line | 1 - 22 years |

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain and loss is recognised in the surplus and deficit.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 2).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 2).

1.12 INTANGIBLE ASSETS

Initial recognition:

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;

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- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent measurement:

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets' amortisation is provided on a straight-line basis over their useful life.

Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item | Useful life |
|--------------------------|-------------|
| Computer software, other | 5 years |

Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13 HERITAGE ASSETS

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 5).

Initial recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.14 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading.

A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

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- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| | |
|--|--|
| Other financial assets | Financial asset measured at amortised cost |
| Operating lease asset | Financial asset measured at amortised cost |
| Receivables from Exchange Transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| | |
|-------------------------------------|--|
| Finance lease obligation | Financial liability measured at amortised cost |
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at amortised cost |
| Bank overdraft | Financial liability measured at amortised cost |

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or

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- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the

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previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the entity;

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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1.15 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Any contingent rents are expensed in the period in which they are incurred.

Finance leases – lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.16 INVENTORIES

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, plus non-recoverable taxes, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, distributed written-off or consumed, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to

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net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

In general, the basis of allocating cost to inventory items is the weighted average method or first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.17 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include

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the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

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In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Re-designation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the

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indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above

1.18 IMPAIRMENT OF NON-CASH GENERATING ASSETS

Non-cash-generating assets are assets other than cash-generating assets.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the municipality estimates the recoverable service amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with

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its recoverable service amount. This impairment test is performed at the same time every year.

Value in use

Value in use of non-cash-generating assets is the remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units' approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.19 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

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- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Leave

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Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Bonus

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Post-employment benefits

Post-employment benefits (formal and informal arrangements) are employee benefits (other than termination benefits) which are payable after the completion of employment.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and

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term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a

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change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality.

Ex gratia gratuities are provided to employees that were not previously members of a pension fund.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25

The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

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- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.20 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a non-current provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Reimbursement

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Reversal

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

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- has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

After their initial recognition provision recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future

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events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

1.21 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.22 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.23 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.24 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

1.25.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.25.2 Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.25.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - i. derecognise the receivable; and
 - ii. recognise separately any rights and obligations created or retained in the transfer.

1.25.4 Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a

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period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

1.26 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

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In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.27 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and represents an increase in net assets, other than increases relating to contributions from owners.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised

Transferred assets are measured at their fair value as at the date of acquisition.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fines

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Public contribution and donations

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

Insurance payments

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Unclaimed deposits

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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1.28 ACCOUNTING BY PRINCIPALS AND AGENTS

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

1.29 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.30 COMPARITIVE FIGURES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy

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in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.31 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.32 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.33 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.34 BUDGET INFORMATION

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2019 to 30/06/2020.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.35 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.36 EVENTS AFTER REPORTING PERIOD

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decision of users taken on the basis of the financial statements.

1.37 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

| Reconciliation of Carrying Value | Cost | | | | | Accumulated Depreciation | | | | | Carrying Value | | |
|----------------------------------|----------------------|----------------|----------------------|----------------|-----------|--------------------------|----------------------|-----------------------------|---------------------------|----------------|----------------|----------------------|-------------|
| | Opening Balance R | Additions R | Work-in- progress | Disposals R | Transfers | Closing Balance R | Opening Balance R | Depreciation Charge R | Impairment Charge R | Disposals R | Transfers | Closing Balance R | R |
| 30 June 2020 | | | | | | | | | | | | | |
| Land and Buildings | 4 378 404 | 81 041 | - | -58 921 | - | 4 400 524 | 390 898 | 40 926 | - | - | - | 431 823 | 3 968 700 |
| Land | 2 366 273 | 58 921 | - | -58 921 | - | 2 366 273 | - | - | - | - | - | - | 2 366 273 |
| Buildings | 2 012 131 | 22 120 | - | - | - | 2 034 251 | 390 898 | 40 926 | - | - | - | 431 823 | 1 602 428 |
| Infrastructure | 767 405 916 | 60 267 | 38 964 073 | -1 151 464 | - | 805 278 792 | 377 643 383 | 18 098 340 | 20 277 | -806 829 | - | 394 955 171 | 410 323 621 |
| Road & Stormwater Network | 341 182 848 | - | 4 751 636 | - | - | 345 934 484 | 153 178 553 | 9 784 795 | - | - | - | 162 963 349 | 182 971 135 |
| Sanitation Network | 158 450 136 | - | 9 402 797 | -10 071 | - | 167 842 862 | 70 475 831 | 3 342 336 | - | -4 897 | - | 73 813 269 | 94 029 593 |
| Electricity Network | 70 359 793 | 39 242 | 2 157 724 | -1 141 393 | - | 71 415 366 | 42 566 174 | 1 467 036 | 20 277 | -801 933 | - | 43 251 554 | 28 163 812 |
| Water Network | 197 413 138 | 21 025 | 22 651 916 | - | - | 220 086 079 | 111 422 826 | 3 504 173 | - | - | - | 114 926 999 | 105 159 081 |
| Community Assets | 10 287 376 | - | - | - | - | 10 287 376 | 1 503 749 | 148 705 | - | - | - | 1 652 454 | 8 634 922 |
| Community Facilities | 9 998 370 | - | - | - | - | 9 998 370 | 1 445 948 | 142 925 | - | - | - | 1 588 873 | 8 409 497 |
| Sport and recreation facilities | 289 006 | - | - | - | - | 289 006 | 57 801 | 5 780 | - | - | - | 63 581 | 225 425 |
| Lease Assets | 2 940 057 | 543 050 | - | -273 676 | -405 000 | 2 804 431 | 1 474 479 | 560 929 | - | -150 694 | -223 004 | 1 661 710 | 1 142 721 |
| Office Equipment | 2 827 658 | 543 050 | - | -273 676 | -405 000 | 2 692 032 | 1 461 393 | 549 689 | - | -150 694 | -223 004 | 1 637 384 | 1 054 648 |
| Electrical Network | 112 399 | - | - | - | - | 112 399 | 13 086 | 11 240 | - | - | - | 24 326 | 88 073 |
| Other Assets | 12 537 172 | 668 878 | - | - | 405 000 | 13 611 049 | 8 372 809 | 682 226 | - | - | 223 004 | 9 278 040 | 4 333 009 |
| Furniture & Fittings | 2 537 077 | 18 116 | - | - | - | 2 555 193 | 1 892 906 | 180 208 | - | - | - | 2 073 114 | 482 079 |
| Office Equipment | 1 722 639 | 153 636 | - | - | 405 000 | 2 281 275 | 1 272 700 | 150 296 | - | - | 223 004 | 1 646 000 | 635 275 |
| Emergency Equipment | 24 670 | - | - | - | - | 24 670 | 20 745 | 1 537 | - | - | - | 22 282 | 2 388 |
| Plant and Equipment | 884 331 | 71 989 | - | - | - | 956 320 | 761 040 | 53 248 | - | - | - | 814 288 | 142 032 |
| Motor Vehicles | 7 368 455 | 425 137 | - | - | - | 7 793 592 | 4 425 419 | 296 938 | - | - | - | 4 722 357 | 3 071 235 |
| | 797 548 925 | 1 353 236 | 38 964 073 | -1 484 061 | - | 836 382 172 | 389 385 319 | 19 531 126 | 20 277 | -957 523 | - | 407 979 198 | 428 402 974 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

| Reconciliation of Carrying Value | | Cost | | | | | Accumulated Depreciation | | | | | Carrying Value | | |
|----------------------------------|-------|----------------------|----------------|----------------------|----------------|------------|--------------------------|----------------------|-----------------------------|---------------------------|----------------|----------------|----------------------|-------------|
| | | Opening Balance R | Additions R | Work-in- progress | Disposals R | Transfers | Closing Balance R | Opening Balance R | Depreciation Charge R | Impairment Charge R | Disposals R | Transfers | Closing Balance R | R |
| 30 June 2019 | | | | | | | | | | | | | | |
| Land and Buildings | | 4 267 904 | 135 500 | - | -25 000 | - | 4 378 404 | 351 714 | 39 184 | - | - | - | 390 898 | 3 987 506 |
| Land | | 2 391 273 | - | - | -25 000 | - | 2 366 273 | - | - | - | - | - | - | 2 366 273 |
| Balance previously reported | | 2 381 273 | - | - | -25 000 | - | 2 356 273 | - | - | - | - | - | - | 2 356 273 |
| Correction of error - Note | 37.04 | 10 000 | - | - | - | - | 10 000 | - | - | - | - | - | - | 10 000 |
| Buildings | | 1 876 631 | 135 500 | - | - | - | 2 012 131 | 351 714 | 39 184 | - | - | - | 390 898 | 1 621 233 |
| Balance previously reported | | 1 180 631 | 135 500 | - | - | - | 1 316 131 | 212 514 | 25 264 | - | - | - | 237 778 | 1 078 353 |
| Correction of error - Note | 37.04 | 696 000 | - | - | - | - | 696 000 | 139 200 | 13 920 | - | - | - | 153 120 | 542 880 |
| Infrastructure | | 742 084 532 | 34 818 | 26 428 957 | -1 142 392 | - | 767 405 916 | 354 355 787 | 23 924 593 | 4 669 | -641 666 | - | 377 643 383 | 389 762 532 |
| Road & Stormwater Network | | 333 786 149 | - | 7 396 699 | - | - | 341 182 848 | 137 344 337 | 15 834 217 | - | - | - | 153 178 553 | 188 004 295 |
| Balance previously reported | | 332 088 707 | - | 7 396 699 | - | - | 339 485 407 | 136 581 526 | 15 742 313 | - | - | - | 152 323 839 | 187 161 567 |
| Correction of error - Note | 37.04 | 1 697 441 | - | - | - | - | 1 697 441 | 762 810 | 91 904 | - | - | - | 854 714 | 842 727 |
| Sanitation Network | | 155 518 247 | 33 601 | 3 926 412 | -1 028 124 | - | 158 450 136 | 68 928 253 | 2 126 050 | - | -578 472 | - | 70 475 831 | 87 974 306 |
| Electricity Network | | 69 373 684 | - | 986 109 | - | - | 70 359 793 | 40 848 540 | 1 717 634 | - | - | - | 42 566 174 | 27 793 620 |
| Water Network | | 183 406 452 | 1 217 | 14 119 737 | -114 268 | - | 197 413 138 | 107 234 658 | 4 246 693 | 4 669 | -63 194 | - | 111 422 826 | 85 990 312 |
| Community Assets | | 10 284 489 | 2 887 | - | - | - | 10 287 376 | 1 354 750 | 148 999 | - | - | - | 1 503 749 | 8 783 627 |
| Community Facilities | | 9 995 483 | 2 887 | - | - | - | 9 998 370 | 1 302 729 | 143 219 | - | - | - | 1 445 948 | 8 552 422 |
| Balance previously reported | | 9 289 483 | 2 887 | - | - | - | 9 292 370 | 1 163 529 | 129 299 | - | - | - | 1 292 828 | 7 999 542 |
| Correction of error - Note | 37.04 | 706 000 | - | - | - | - | 706 000 | 139 200 | 13 920 | - | - | - | 153 120 | 552 880 |
| Sport and recreation facilities | | 289 006 | - | - | - | - | 289 006 | 52 021 | 5 780 | - | - | - | 57 801 | 231 205 |
| Lease Assets | | 4 902 613 | - | - | - | - | 2 940 057 | 2 657 314 | 628 141 | - | - | - | 1 474 479 | 1 465 578 |
| Office Equipment | | 2 827 658 | - | - | - | - | 2 827 658 | 895 861 | 565 531 | - | - | - | 1 461 393 | 1 366 265 |
| Motor Vehicles | | 1 962 555 | - | - | - | -1 962 555 | - | 1 759 606 | 51 369 | - | - | -1 810 976 | -0 | 0 |
| Electrical Network | | 112 399 | - | - | - | - | 112 399 | 1 846 | 11 240 | - | - | - | 13 086 | 99 313 |
| Other Assets | | 9 746 279 | 828 337 | - | - | - | 12 537 172 | 5 883 356 | 678 265 | 213 | - | - | 8 372 809 | 4 164 362 |
| Furniture & Fittings | | 2 472 746 | 64 331 | - | - | - | 2 537 077 | 1 690 791 | 201 902 | 213 | - | - | 1 892 906 | 644 171 |
| Office Equipment | | 1 604 750 | 117 889 | - | - | - | 1 722 639 | 1 091 699 | 181 001 | - | - | - | 1 272 700 | 449 939 |
| Emergency Equipment | | 24 670 | - | - | - | - | 24 670 | 19 126 | 1 619 | - | - | - | 20 745 | 3 925 |
| Plant and Equipment | | 883 214 | 1 117 | - | - | - | 884 331 | 687 789 | 73 250 | - | - | - | 761 040 | 123 291 |
| Motor Vehicles | | 4 760 900 | 645 000 | - | - | 1 962 555 | 7 368 455 | 2 393 950 | 220 493 | - | - | 1 810 976 | 4 425 419 | 2 943 036 |
| | | 771 285 817 | 1 001 543 | 26 428 957 | -1 167 392 | - | 797 548 925 | 364 602 921 | 25 419 182 | 4 882 | -641 666 | - | 389 385 319 | 408 163 606 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 2 | PROPERTY, PLANT AND EQUIPMENT (CONTINUED) | 2020 R | 2019 R |
|---|---|-------------------|-------------------|
| | Work-in-progress | | |
| | Work-in-progress is compiled from the following on-going capital projects: | | |
| | Prieska Bulk Water Supply | 6 571 718 | 4 971 693 |
| | Marydale: Bulk Sewer Line, Pump Station & Rising Main (MIG 1327) | 12 330 404 | 12 115 901 |
| | Upgrading of streets in Prieska Townships - Phase 3 - 11/2016 | 4 352 036 | 4 352 036 |
| | Siyathemba Bulk Water System Augmentation Project | 7 171 130 | 7 171 130 |
| | Upgrading of Prieska WWTW | 1 660 458 | 1 272 332 |
| | 10/2016 Prieska Electrical Works | - | 986 109 |
| | Upgrading of streets in Prieska - Phase 4 - 11/2016 | 2 402 674 | 2 402 674 |
| | Augmentation of the Marydale Bulk Ground Water Supply | 6 067 839 | 6 067 839 |
| | Upgrading of streets in Prieska - Phase 5 - 11/2016 | 5 393 626 | 641 990 |
| | Disaster Management Grant: Installation of VIP Toilets and stand pipes to reduce spread of covid 19 | 1 841 661 | - |
| | TN33/2019 Supply and Delivery of 1 Mobile Hydroblast unit and supply of 1 mobile desludge pump unit | 541 800 | - |
| | Upgrading of Prieska waste water treatment works and 247m outfall sewer pipeline | 8 258 368 | - |
| | Prieska: 4ml Reservoir, rising mains and bulk water supply line. | 19 210 231 | - |
| | | 75 801 944 | 39 981 704 |
| | | 2019 R | 2018 R |
| | The movements for the year can be reconciled as follows: | | |
| | Balance at beginning of year | 39 981 704 | 13 552 747 |
| | Expenditure during the year | 38 964 073 | 26 428 957 |
| | Assets unbundled during the year | (3 143 833) | - |
| | Balance at end of year | 75 801 944 | 39 981 704 |
| | No projects are considered to be long outstanding or have been stopped. | | |
| | Expenditure incurred to repair and maintain Property, Plant and Equipment: | | |
| | Employee related costs | - | - |
| | Other materials | 11 169 | 27 704 |
| | Contracted Services | - | 164 |
| | Other Expenditure | 4 256 383 | 3 694 661 |
| | | 4 267 551 | 3 722 529 |
| | Impairment of property plant and equipment | | |
| | Impairment charges on Property, plant and equipment recognised in statement of financial performance | | |
| | Land and Buildings | - | - |
| | Infrastructure | 20 277 | 4 669 |
| | Other | - | 213 |
| | | 20 277 | 4 882 |
| | Land is not controlled, but Example Municipality is the legal owner/custodian | | |
| | No of Low Cost Houses | 538 | 538 |
| | Total | 538 | 538 |
| | <u>Key judgements and assumptions applied</u> | | |
| | - No right to direct access to land, and to restrict/deny the access of others | | |
| | - Title deed holder | | |
| | - Binding arrangement | | |
| | - etc | | |
| | Effect of changes in accounting estimates | | |
| | The change in accounting estimate originated from the evaluation of the remaining useful lives of the assets at year end as well as the change in conditional assessment and further change to residual values. | | |
| | | 2020 R | 2019 R |
| | | 4 572 895 | 43 722 |
| | | 2018 R | (208 919) |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 3 | INVESTMENT PROPERTY | 2020 | 2019 |
|-----|---|-----------------------|--------------------|
| | | R | R |
| 3.1 | Net Carrying amount as at 1 July | 119 512 600 | 48 743 790 |
| | Valuation | 119 512 600 | 48 743 790 |
| | Fair Value Adjustment | 414 795 | 70 768 810 |
| | Disposals | (414 795) | - |
| | Transfers from Inventory | - | - |
| | Transfers from Property, Plant and equipment | - | - |
| | Net Carrying amount as at 30 June | 119 512 600 | 119 512 600 |
| | Valuation | 119 512 600 | 119 512 600 |
| 3.2 | Revenue from Investment Property | | |
| | Revenue derived from the rental of Investment Property | 926 447 | 974 677 |
| | | | |
| 4 | INTANGIBLE ASSETS | 2020 | 2019 |
| | | R | R |
| | Computer System & Software | | |
| | Net Carrying amount at 1 July | 23 172 | 25 207 |
| | Cost | 70 498 | 63 020 |
| | Accumulated Amortisation | (47 327) | (37 813) |
| | Acquisitions | 27 999 | 7 478 |
| | Amortisation | (11 585) | (9 513) |
| | Disposals | - | - |
| | Net Carrying amount at 30 June | 39 586 | 23 172 |
| | Cost | 98 497 | 70 498 |
| | Accumulated Amortisation | (58 911) | (47 327) |
| | | | |
| | | Carrying Value | |
| | <u>Description</u> | 2020 | 2019 |
| | | R | R |
| | Microsoft Office | 39 586 | 23 172 |
| | | | |
| | No residual values allocated to intangible assets, as there is no active market for these software items after use, due to new versions being issued regularly. | | |
| | There are no internally generated intangible assets at reporting date. | | |
| | There are no intangible assets whose title is restricted. | | |
| | There are no intangible assets pledged as security for liabilities | | |
| | There are no contractual commitments for the acquisition of intangible assets. | | |
| | Effect of changes in accounting estimates | | |
| | The change in accounting estimate originated from the evaluation of the remaining useful lives of the assets at year end as well as the change in conditional assessment. | | |
| | | 2020 | 2019 |
| | | R | R |
| | | (3 586) | 1 879 |
| | | | 1 705 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|------------|---|------------------|------------------|
| | | R | R |
| 5 | HERITAGE ASSETS | | |
| 5.1 | Net Carrying amount at 1 July | 1 514 350 | 1 514 350 |
| | Cost | 1 514 350 | 1 514 350 |
| | Balance previously reported | | 3 950 530 |
| | Correction of Heritage Assets against Accumulated Surplus (Correction valuation of Heritage assets as at 1 July 2018) | - | -2 436 180 |
| | Accumulated Impairment Loss | - | - |
| | Net Carrying amount at 30 June | 1 514 350 | 1 514 350 |
| | Cost | 1 514 350 | 1 514 350 |
| | Accumulated Impairment Loss | - | - |

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs,

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

| | | 2020 | 2019 |
|----------|---------------------------------------|-------------------|-------------------|
| | | R | R |
| 6 | CAPITALISED RESTORATION COST | | |
| | Net Carrying amount at 1 July | 11 348 010 | 12 700 611 |
| | Cost | 20 798 841 | 21 199 507 |
| | Accumulated Depreciation | (9 397 572) | (8 455 711) |
| | Accumulated Impairments | (53 259) | (43 185) |
| | Acquisitions | - | - |
| | Disposals | (10 292 759) | (400 666) |
| | Depreciation for the year | (406 129) | (941 861) |
| | (Impairment) / Reversal of Impairment | 51 685 | (10 074) |
| | Net Carrying amount at 30 June | 700 807 | 11 348 010 |
| | Cost | 10 506 082 | 20 798 841 |
| | Accumulated Depreciation | (9 803 700) | (9 397 572) |
| | Accumulated Impairments | (1 574) | (53 259) |

Effect of changes in accounting estimates

The change in accounting estimate originated from the evaluation of the cost to rehabilitate at the end of the useful life which has changed.

| | 2020 | 2019 | 2018 |
|--------------------------------|-------------|-------------|-------------|
| | R | R | R |
| Change in cost to rehabilitate | (801 445) | (592 529) | - |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 7 | LONG TERM RECEIVABLES | 2020 R | 2019 R |
|----------|--|----------------------|----------------------|
| | Long term loans - At amortised cost | 51 727 | 52 479 |
| | Less: Current portion transferred to current financial assets | - | (1 993) |
| | | <u>51 727</u> | <u>50 486</u> |
| | Less: Provision for Debt Impairment | <u>(51 727)</u> | <u>(50 486)</u> |
| | Total Long term Receivables | <u>-</u> | <u>-</u> |
| | Reconciliation of Provision for Debt Impairment | | |
| | Balance at beginning of year | 50 486 | 38 017 |
| | Contribution to provision | 1 241 | 12 469 |
| | VAT on provision | - | - |
| | Reversal of provision | - | - |
| | Balance at end of year | <u>51 727</u> | <u>50 486</u> |
| | The provision for Debt Impairment could be allocated to the different classes as follows: | | |
| | Long term loans - At amortised cost | <u>51 727</u> | <u>50 486</u> |
| | Total Provision for Impairment | <u>51 727</u> | <u>50 486</u> |
| | Long term loans relates to housing loans financed by the municipality. | | |
| | As from 01 January 2006 no loan agreement are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into. | | |
| | The Municipality does not hold deposits or any other security for its Long - term receivables. | | |
| | No Long - term receivables have been pledged as security for the municipality's financial liabilities. | | |

| 8 | INVENTORY | 2020 R | 2019 R |
|----------|---|-----------------------|-----------------------|
| | Stores, materials and fuels - at Current Replacement Cost | 403 248 | 272 244 |
| | Water – at Current Replacement Cost | 64 067 | 57 488 |
| | Balance previously reported | - | 336 812 |
| | Correction of Inventory - Water - at Current Replacement Cost against Accumulated Surplus (Correction of opening Inventory water stock 2018/19) | 37.05 | (238 578) |
| | Correction of Inventory - Water - at Current Replacement Cost against Statement of Financial Performance - Bulk Purchases Water (Correction of Inventory water stock 2018/19) | 37.05 | (40 745) |
| | Total Inventory | <u>467 315</u> | <u>329 733</u> |
| | Inventory recognised as an expense during the year | <u>461 881</u> | <u>407 709</u> |
| | Inventories write-down to Net Replacement Value (NRV) or Net Replacement Cost (NRC) | <u>-</u> | <u>-</u> |
| | Inventories written down due to losses as identified during the annual stores counts | <u>-</u> | <u>-</u> |
| | No inventory assets were pledged as security for liabilities. | | |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|----------|--|-------------------|-------------------|
| | | R | R |
| 9 | TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS | | |
| | Service Receivables | | |
| | Water | 58 973 639 | 48 592 277 |
| | Balance previously reported | - | 48 591 614 |
| | Correction of Trade and other receivables from exchange transactions - Water against Service charges - Water services (Correction of billing for 2018/19) | 37.02 - | 576 |
| | Correction of Trade and other receivables from exchange transactions - Water against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | 37.02 - | 86 |
| | Electricity | 9 827 351 | 7 891 565 |
| | Balance previously reported | - | 7 887 928 |
| | Correction of Trade and other receivables from exchange transactions - Electricity against Service charges - Electricity services (Correction of billing for 2018/19) | 37.02 - | 3 162 |
| | Correction of Trade and other receivables from exchange transactions - Electricity against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | 37.02 - | 474 |
| | Refuse | 6 338 647 | 5 146 888 |
| | Balance previously reported | - | 5 092 649 |
| | Correction of Trade and other receivables from exchange transactions - Refuse against Service charges - Refuse services (Correction of billing for 2018/19) | 37.02 - | 47 165 |
| | Correction of Trade and other receivables from exchange transactions - Refuse against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | 37.02 - | 7 075 |
| | Sewerage | 16 352 087 | 13 871 701 |
| | Balance previously reported | - | 13 635 396 |
| | Correction of Trade and other receivables from exchange transactions - Sewerage against Service charges - Sewerage services (Correction of billing for 2018/19) | 37.02 - | 205 482 |
| | Correction of Trade and other receivables from exchange transactions - Sewerage against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | 37.02 - | 30 822 |
| | Total Service Receivables | 91 491 723 | 75 502 431 |
| | Less: Allowance for Doubtful Debts | (78 665 558) | (65 311 564) |
| | Net Service Receivables | 12 826 165 | 10 190 867 |
| | Other Receivables | | |
| | Other Debtors | 4 713 558 | 4 106 756 |
| | Other (Consumer Debtors) | 3 767 157 | 3 203 192 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | R | R |
| TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED) | | |
| Total Other Receivables | 8 480 715 | 7 309 948 |
| Less: Allowance for Doubtful Debts | (5 825 212) | (4 999 867) |
| Net Other Receivables | 2 655 503 | 2 310 081 |
| Total Net Receivables from Exchange Transactions | 15 481 668 | 12 500 948 |
| Ageing of Receivables from Exchange Transactions | | |
| <u>(Electricity): Ageing</u> | | |
| Current (0 - 30 days) | 1 443 673 | 2 647 024 |
| 31 - 60 Days | 543 555 | 375 941 |
| 61 - 90 Days | 597 306 | 353 216 |
| + 90 Days | 7 242 818 | 4 515 384 |
| Total | 9 827 351 | 7 891 565 |
| <u>(Water): Ageing</u> | | |
| Current (0 - 30 days) | 3 436 486 | 2 826 663 |
| 31 - 60 Days | 1 310 531 | 839 599 |
| 61 - 90 Days | 775 199 | 761 950 |
| + 90 Days | 53 451 422 | 44 164 064 |
| Total | 58 973 639 | 48 592 277 |
| <u>(Refuse): Ageing</u> | | |
| Current (0 - 30 days) | 486 564 | 323 957 |
| 31 - 60 Days | 199 899 | 158 853 |
| 61 - 90 Days | 180 853 | 144 666 |
| + 90 Days | 5 471 330 | 4 519 413 |
| Total | 6 338 647 | 5 146 888 |
| <u>(Sewerage): Ageing</u> | | |
| Current (0 - 30 days) | 1 357 086 | 1 088 978 |
| 31 - 60 Days | 710 265.22 | 598 108 |
| 61 - 90 Days | 648 307.76 | 553 122 |
| + 90 Days | 13 636 428.06 | 11 631 492 |
| Total | 16 352 087 | 13 871 701 |
| <u>(Other Receivables): Ageing</u> | | |
| Current (0 - 30 days) | 102 693 | 112 226 |
| 31 - 60 Days | 95 651.15 | 88 446 |
| 61 - 90 Days | 65 731.01 | 56 339 |
| + 90 Days | 3 503 081.22 | 2 946 181 |
| Total | 3 767 157 | 3 203 192 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10

| TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | | 2020 | 2019 |
|---|--|--|-------------------|-------------------|
| | | | R | R |
| Service Receivables | | | | |
| Taxes - Rates | | | 31 940 867 | 26 248 751 |
| Other Sundry Debtors | | | 66 464 | 66 464 |
| Total Service Receivables | | | 32 007 331 | 26 315 215 |
| Less: Allowance for Doubtful Debts | | | (28 402 207) | (23 407 118) |
| Net Service Receivables | | | 3 605 124 | 2 908 097 |
| Total Net Receivables from Non-Exchange Transactions | | | 3 605 124 | 2 908 097 |
| Ageing of Receivables from Non-Exchange Transactions | | | | |
| <u>(Rates): Ageing</u> | | | | |
| Current (0 - 30 days) | | | 2 638 164 | 1 534 679 |
| 31 - 60 Days | | | 902 850 | 693 983 |
| 61 - 90 Days | | | 836 520 | 638 679 |
| + 90 Days | | | 27 563 334 | 23 381 410 |
| Total | | | 31 940 867 | 26 248 751 |

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| TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS | | | | |
|---|---|---------------------------------|---|-------------------|
| <u>Summary of Receivables by Customer Classification</u> | Residential, Industrial & Commercial R's | Other Debtors R's | National and Provincial Government R's | Total R's |
| 2020 | | | | |
| Total Receivables | 120 765 690 | 8 547 178 | 2 666 900 | 131 979 769 |
| Less: Provision for doubtful debts | -107 067 765 | -5 825 212 | - | -112 892 977 |
| Total Recoverable debtors by customer classification | 13 697 925 | 2 721 966 | 2 666 900 | 19 086 792 |
| <u>Summary of Receivables by Customer Classification</u> | Residential, Industrial & Commercial R's | Other Debtors R's | National and Provincial Government R's | Total R's |
| 2019 | | | | |
| Total Receivables | 99 084 282 | 7 376 412 | 2 666 900 | 109 127 594 |
| Less: Provision for doubtful debts | -88 718 682 | -4 999 867 | - | -93 718 549 |
| Total Recoverable debtors by customer classification | 10 365 600 | 2 376 545 | 2 666 900 | 15 409 045 |
| <u>Trade and other receivables impairment</u> | | | | |
| 2020 | | Exchange Transactions R's | Non-Exchange Transactions R's | Total R's |
| Total | | (84 490 770) | (28 402 207) | (112 892 977) |
| 2019 | | Exchange Transactions R's | Non-Exchange Transactions R's | Total R's |
| Total | | (70 311 431) | (23 407 118) | (93 718 549) |
| Debts (Rates) are required to be settled after 30 days, interest is charged after this date at prime +1%. The fair value of trade and other receivables approximates their carrying amounts. | | | | |
| <u>Reconciliation of the Total doubtful debt provision</u> | | | 2020 | 2019 |
| | | | R | R |
| Balance at beginning of the year | | | 93 718 548 | 78 388 020 |
| Contributions to provision | | | 17 360 181 | 14 111 449 |
| VAT Impairment | | | 1 814 248 | 1 219 080 |
| Doubtful debts written off | | | - | - |
| Balance at end of year | | | 112 892 977 | 93 718 548 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 R | 2019 R |
|-------------|--|---------------------|---------------------|
| 12 | OPERATING LEASE ARRANGEMENTS | | |
| 12.1 | The Municipality as Lessor | | |
| | Balance on 1 July | 26 914 | 30 125 |
| | Restated Balance on 1 July | 26 914 | 30 125 |
| | Movement during the year | (7 264) | (3 211) |
| | Balance on 30 June | 19 650 | 26 914 |
| | Current Portion | 1 592 | 7 264 |
| | Non-Current Portion | 18 058 | 19 650 |
| | Balance on 30 June | 19 650 | 26 914 |
| | Siyathemba Municipality is leasing ground to various tenants for livestock farming, brick field as well as office space. The lease term is for a period of 3 to 10 years with escalations of 3-10% per year. | | |
| | At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows: | 2020 R | 2019 R |
| | Up to 1 Year | 101 297 | 143 509 |
| | 2 to 5 Years | 166 709 | 261 186 |
| | More than 5 Years | 33 912 | 40 732 |
| | Total Operating Lease Arrangements | 301 918 | 445 427 |
| | This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income. | | |
| | The leases are in respect of land being leased out for a period until May 2029. | | |
| 13 | VAT PAYABLE FROM EXCHANGE-TRANSACTIONS | 2020 R | 2019 R |
| | VAT Payable | 10 700 498 | 10 625 689 |
| | VAT Output in Suspense | 12 532 218 | 10 164 393 |
| | Balance previously reported | - | 10 125 935 |
| | Correction of Trade and other receivables from exchange transactions - Water against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | 37.01 - | 86 |
| | Correction of Trade and other receivables from exchange transactions - Electricity against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | 37.01 - | 474 |
| | Correction of Trade and other receivables from exchange transactions - Refuse against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | 37.01 - | 7 075 |
| | Correction of Trade and other receivables from exchange transactions - Sewerage against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | 37.01 - | 30 822 |
| | Total VAT Payable | 23 232 717 | 20 790 082 |
| | VAT Receivable | (18 799 057) | (13 636 077) |
| | VAT Input in Suspense | (11 630 195) | (8 088 619) |
| | Total VAT Receivable | (30 429 252) | (21 724 695) |
| | VAT Impairment contribution | (7 914 681) | (6 100 433) |
| | Total VAT (Receivable)/Payable | (15 111 216) | (7 035 045) |
| | VAT is payable/receivable on the cash basis. | | |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 R | 2019 R |
|----|--|-------------------|-------------------|
| 14 | CASH AND CASH EQUIVALENTS | | |
| | <u>Assets</u> | | |
| | Call Investments Deposits | 12 271 087 | 18 888 634 |
| | Primary Bank Account | 832 585 | 252 517 |
| | Cash Floats | 1 500 | 1 500 |
| | Total Cash and Cash Equivalents - Assets | 13 105 172 | 19 142 650 |
| | <u>Liabilities</u> | | |
| | Primary Bank Account | - | - |
| | Total Cash and Cash Equivalents - Liabilities | - | - |
| | The municipality has the following bank accounts: | | |
| | <u>Current Accounts</u> | | |
| | ABSA Bank Account number: 40-5355-2997 (Primary Bank Account): | 832 585 | 252 517 |
| | | 832 585 | 252 517 |
| | <u>ABSA Bank Account number: 40-5355-2997 (Primary Bank Account):</u> | | |
| | Cash book balance at beginning of year | 252 517 | 142 788 |
| | Cash book balance at end of year | 832 585 | 252 517 |
| | Bank statement balance at beginning of year | 253 696 | 205 267 |
| | Bank statement balance at end of year | 832 585 | 253 696 |
| | <u>Call Investment Deposits</u> | | |
| | Call investment deposits consist out of the following accounts: | | |
| | Bank Account Number | | |
| | ABSA Bank 92-8664-0859 | 5 667 | 1 476 |
| | ABSA Bank 92-8604-1059 | 1 171 | 1 160 |
| | ABSA Bank 92-0404-6778 | 12 264 249 | 18 885 998 |
| | | 12 271 087 | 18 888 634 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15

LONG TERM LIABILITIES

Capitalised Lease Liability - At amortised cost

Less: Current Portion transferred to Current Liabilities

Capitalised Lease Liability - At amortised cost

Total Long-term Liabilities - At amortised cost using the effective interest rate method

| 2020 R | 2019 R |
|-----------------------------------|------------------|
| 1 302 888 | 1 762 328 |
| 1 302 888 | 1 762 328 |
| 521 043 | 601 524 |
| 521 043 | 601 524 |
| 781 845 | 1 160 804 |
| 2020 R | 2019 R |
| Minimum lease payments | |
| 856 902 | 830 108 |
| 1 483 662 | 1 343 500 |
| - | - |
| 2 340 564 | 2 173 608 |
| (1 037 675) | (411 280) |
| 1 302 888 | 1 762 328 |

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year

Payable within two to five years

Payable after five years

Less: Future finance obligations

Present value of lease obligations

Finance lease agreement is calculated at an interest rate of 10.5%-123% or Prime +1% . With a last maturity date of 30 November 2024.

Refer to note 2 for the finance lease assets capitalised.

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

For each class of finance lease liability, the net carrying amount at the reporting date:

| Description of leased item | Effective Interest | Lease Term | Maturity Date | | |
|----------------------------|--------------------|------------|---------------|------------------|------------------|
| Finance lease liability | 10.50% | 5 | 31/10/2021 | 680 886 | 1 132 754 |
| Finance lease liability | 11 to 25% | 5 | 28/02/2022 | - | 525 387 |
| Finance lease liability | 38 to 123% | 5 | 30/11/2024 | 530 599 | - |
| 315SJ 4X4 Loader | Prime + 1% | 7 | 01/02/2019 | - | - |
| CS533E XL Compactor | Prime + 1% | 7 | 01/06/2019 | - | - |
| Nissan 12 4X2N | Prime + 1% | 7 | 01/02/2019 | - | - |
| Smartmeters | 28 to 35% | 5 | 30/04/2023 | 91 404 | 104 187 |
| | | | | 1 302 888 | 1 762 328 |

The depreciation and the finance charge relating to the leased asset was included as part of the total depreciation and finance charges respectively. Please refer to note 2 and note 33

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 R | 2019 R |
|----|---|-------------------|-------------------|
| 16 | EMPLOYEE BENEFITS | | |
| | Post Retirement Benefits | 16.1 7 581 000 | 8 461 278 |
| | Ex-Gratia Pension Provisions | 599 799 | 755 696 |
| | Long Service Awards | 16.3 3 482 000 | 3 588 541 |
| | Total Non-current Employee Benefit Liabilities | 11 662 799 | 12 805 515 |
| | | | |
| | | 2020 R | 2019 R |
| | <u>Post Retirement Benefits</u> | | |
| | Balance 1 July | 8 771 422 | 8 932 540 |
| | Contribution for the year | (310 144) | (383 792) |
| | Expenditure for the year | 1 272 614 | 1 285 452 |
| | Actuarial Loss/(Gain) | (1 823 892) | (1 062 778) |
| | Total post retirement benefits 30 June | 7 910 000 | 8 771 422 |
| | Less: Transfer of Current Portion | 19 (329 000) | (310 144) |
| | Balance 30 June | 7 581 000 | 8 461 278 |
| | | | |
| | <u>Ex-Gratia Pensions</u> | | |
| | Balance 1 July | 775 677 | 904 093 |
| | Contribution for the year | (19 981) | (20 231) |
| | Expenditure for the year | 60 860 | 77 932 |
| | Actuarial Loss/(Gain) | (2 479) | (186 117) |
| | Total provision 30 June | 814 077 | 775 677 |
| | Less: Transfer of Current Portion | 19 (214 278) | (19 981) |
| | Balance 30 June | 599 799 | 755 696 |
| | | | |
| | <u>Long Service Awards</u> | | |
| | Balance 1 July | 4 102 234 | 4 329 890 |
| | Contribution for the year | (465 050) | (477 344) |
| | Expenditure for the year | 613 161 | 685 673 |
| | Actuarial Loss/(Gain) | (162 345) | (435 985) |
| | Total long service 30 June | 4 088 000 | 4 102 234 |
| | Less: Transfer of Current Portion | 19 (606 000) | (513 693) |
| | Balance 30 June | 3 482 000 | 3 588 541 |
| | | | |
| | <u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u> | | |
| | Balance 1 July | 13 649 333 | 14 166 523 |
| | Contribution for the year | (795 175) | (881 367) |
| | Expenditure for the year | 1 946 635 | 2 049 057 |
| | Actuarial Loss/(Gain) | (1 988 716) | (1 684 880) |
| | Total employee benefits 30 June | 12 812 077 | 13 649 333 |
| | Less: Transfer of Current Portion | 19 (1 149 278) | (843 818) |
| | Balance 30 June | 11 662 799 | 12 805 515 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

16 EMPLOYEE BENEFITS (CONTINUED)

16.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

| | 2020 Number of members | 2019 Number of members |
|---|------------------------------|------------------------------|
| In-service (employee) members | 135 | 138 |
| Continuation members (e.g. Retirees, widows, orphans) | 8 | 8 |
| Total Members | 143 | 146 |

The liability in respect of past service has been estimated to be as follows:

| | R | R |
|------------------------|------------------|------------------|
| In-service members | 4 548 000 | 5 433 331 |
| Continuation members | 3 362 000 | 3 338 091 |
| Total Liability | 7 910 000 | 8 771 422 |

| | 2018 R | 2017 R | 2016 R |
|------------------------|------------------|------------------|------------------|
| In-service members | 5 664 765 | 4 636 100 | 5 558 173 |
| Continuation members | 3 267 775 | 2 074 000 | 2 050 439 |
| Total Liability | 8 932 540 | 6 710 100 | 7 608 612 |

| | 2020 R | 2019 R |
|--|-----------|-----------|
| Experience adjustments were calculated as follows: | Rm | Rm |
| Liabilities: (Gain) / loss | (0.235) | (0.479) |
| Assets: Gain / (loss) | - | - |

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2018 Rm | 2017 Rm | 2016 Rm |
|----------------------------|------------|------------|------------|
| Liabilities: (Gain) / loss | (0.123) | - | (0.757) |
| Assets: Gain / (loss) | - | - | - |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

| | | |
|-----------|-----------|-----------|
| Bonitas | Keyhealth | Samwumed |
| LA Health | Hosmed | Fedhealth |

The Municipality's Accrued Unfunded Liability at 30 June 2020 is estimated at R7,910 million. The Current-service Cost for the year ending 30 June 2020 is estimated at R461 487. It is estimated to be R385 000 for the ensuing year.

Key actuarial assumptions used:

| | 2020 % | 2019 % |
|---------------------------------|-----------|-----------|
| i) Rate of interest | | |
| Discount rate | 10.42% | 9.41% |
| Health Care Cost Inflation Rate | 6.48% | 6.87% |
| Net Effective Discount Rate | 3.70% | 2.38% |

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at average retirement age of 62, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Expected rate of salary increases

2020/2021 - CPI + 1,25%

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

The amounts recognised in the Statement of Financial Position are as follows:

| | 2020 R | 2019 R |
|-----------------------------------|------------------|------------------|
| Present value of fund obligations | 7 910 000 | 8 771 422 |
| Net liability/(asset) | 7 910 000 | 8 771 422 |

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

16

EMPLOYEE BENEFITS (CONTINUED)

2020
R

2019
R

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year
Total expenses

8 771 422
962 470

8 932 540
901 660

Current service cost

461 487

448 553

Interest Cost

811 127

836 899

Benefits Paid

(310 144)

(383 792)

Actuarial (gains)/losses

(1 823 892)

(1 062 778)

Present value of fund obligation at the end of the year

7 910 000

8 771 422

Less: Transfer of Current Portion

19

(329 000)

(310 144)

Balance 30 June

7 581 000

8 461 278

Sensitivity Analysis on the Accrued Liability

| Assumption | Change | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) | % change |
|--|---------|-----------------------------------|-------------------------------------|----------------------|----------|
| Central Assumptions | | 4.548 | 3.362 | 7.910 | |
| Health care inflation | 1% | 5.357 | 3.664 | 9.021 | 14% |
| Health care inflation | -1% | 3.891 | 3.098 | 6.989 | -12% |
| Discount Rate | 1% | 3.918 | 3.109 | 7.027 | -11% |
| Discount Rate | -1% | 5.333 | 3.656 | 8.989 | 14% |
| Post-retirement mortality | +1 year | 4.411 | 3.249 | 7.660 | -3% |
| Post-retirement mortality | -1 year | 4.685 | 3.476 | 8.161 | 3% |
| Average retirement age | -1 year | 5.082 | 3.362 | 8.444 | 7% |
| Continuation of membership at retirement | -10% | 3.207 | 3.362 | 6.569 | -17% |

Sensitivity Analysis on the Current Service Cost and Interest Costs

| Assumption | Change | Current-service Cost (R) | Interest Cost (R) | Total (R) | % change |
|--|---------|--------------------------|-------------------|-----------|----------|
| Central Assumption | | 461 500 | 811 100 | 1 272 600 | |
| Health care inflation | 1% | 559 400 | 937 600 | 1 497 000 | 18% |
| Health care inflation | -1% | 384 000 | 707 500 | 1 091 500 | -14% |
| Discount Rate | 1% | 389 700 | 786 000 | 1 175 700 | -8% |
| Discount Rate | -1% | 552 700 | 836 300 | 1 389 000 | 9% |
| Post-retirement mortality | -1 year | 477 000 | 840 700 | 1 317 700 | 4% |
| Average retirement age | -1 year | 501 100 | 869 400 | 1 370 500 | 8% |
| Continuation of membership at retirement | -10% | 315 500 | 664 900 | 980 400 | -23% |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

| Assumption | Change | Liability (R) | % change |
|--------------------------|--------|------------------|----------|
| Central assumptions | | 814 077 | |
| General salary inflation | 1% | 851 105 | 5% |
| General salary inflation | -1% | 779 264 | -4% |
| Discount Rate | 1% | 780 724 | -4% |
| Discount Rate | -1% | 850 141 | 4% |
| Average retirement age | -1 yr. | 834 213 | 2% |

| Assumption | Change | Liability (R) | % change |
|--------------------------|--------|---------------|----------|
| Central assumptions | | 60 860 | |
| General salary inflation | 1% | 64 205 | 5% |
| General salary inflation | -1% | 57 727 | -5% |
| Discount Rate | 1% | 65 109 | 7% |
| Discount Rate | -1% | 56 076 | -8% |
| Average retirement age | -1 yr. | 55 144 | -9% |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | | | |
|------|---|-----------|-------------------|-----------|
| 16 | EMPLOYEE BENEFITS (CONTINUED) | 2020 R | 2019 R | |
| 16.3 | Long Service Bonuses | | | |
| | The Long Service Bonus plans are defined benefit plans. As at year end, 13e employees were eligible for Long Service Bonuses. | | | |
| | The Current-service Cost for the year ending 30 June 2020 is R305 520. The Current-service Cost for the ensuing year has been estimated to be R302 000. | | | |
| | Key actuarial assumptions used: | 2020 % | 2019 % | |
| | i) Rate of interest | | | |
| | Discount rate | 7.44% | 7.99% | |
| | General Salary Inflation (long-term) | 4.08% | 5.46% | |
| | Net Effective Discount Rate applied to salary-related Long Service Bonuses | 3.23% | 2.40% | |
| | Experience adjustments were calculated as follows: | 2020 R | 2019 R | |
| | Liabilities: (Gain) / loss | 54 298 | (11 002) | |
| | Assets: Gain / (loss) | - | - | |
| | The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows: | | | |
| | | 2018 R | 2017 R | 2016 R |
| | Liabilities: (Gain) / loss | (517 020) | - | 766 014 |
| | Assets: Gain / (loss) | - | - | - |
| | The amounts recognised in the Statement of Financial Position are as follows: | | | |
| | Present value of fund obligations | | 4 088 000 | 4 102 234 |
| | Net liability/(asset) | | 4 088 000 | 4 102 234 |
| | The liability in respect of periods commencing prior to the comparative year has been estimated as follows: | | | |
| | | 2018 R | 2017 R | 2016 R |
| | Total Liability | 4 329 890 | 4 690 000 | 4 760 656 |
| | Reconciliation of present value of fund obligation: | | 2020 R | 2019 R |
| | Present value of fund obligation at the beginning of the year | | 4 102 234 | 4 329 890 |
| | Total expenses | | 148 111 | 208 329 |
| | Current service cost | | 305 520 | 337 904 |
| | Interest Cost | | 307 641 | 347 769 |
| | Benefits Paid | | (465 050) | (477 344) |
| | Actuarial (gains)/losses | | (162 345) | (435 985) |
| | Present value of fund obligation at the end of the year | | 4 088 000 | 4 102 234 |
| | Less: Transfer of Current Portion | 19 | (606 000) | (513 693) |
| | Balance as at 30 June | | 3 482 000 | 3 588 541 |
| | Sensitivity Analysis on the Unfunded Accrued Liability | | | |
| | Assumption | Change | Liability (Rm) | % change |
| | Central assumptions | | 4.088 | |
| | General salary inflation | 1% | 4.300 | 5% |
| | General salary inflation | -1% | 3.893 | -5% |
| | Discount Rate | 1% | 3.883 | -5% |
| | Discount Rate | -1% | 4.314 | 6% |
| | Average retirement age | +2 yrs. | 4.698 | 15% |
| | Average retirement age | -2 yrs. | 3.465 | -15% |
| | Withdrawal rates | -200% | 3.498 | -14% |
| | Withdrawal rates | -50% | 4.472 | 9% |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|---|---|------------------|------------------|
| | | R | R |
| 16 | EMPLOYEE BENEFITS (CONTINUED) | | |
| 16.4 | Retirement funds | | |
| <p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.</p> | | | |
| <u>CAPE JOINT PENSION FUND</u> | | | |
| <p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in an sound financial position with a funding level of 103.7% (30 June 2018 - 101.7%).</p> | | | |
| | Contributions paid recognised in the Statement of Financial Performance | <u>2 488 760</u> | <u>2 161 074</u> |
| <u>MUNICIPAL WORKERS RETIREMENT FUND</u> | | | |
| <p>The contribution rate payable is 9% by members and 18% by Council. The contribution rate paid by the members is sufficient to fund the benefits accruing from the fund in the future</p> | | | |
| | Contributions paid recognised in the Statement of Financial Performance | <u>2 156 517</u> | <u>2 137 389</u> |
| <u>SALA PENSION FUND</u> | | | |
| <p>The contribution rate payable is 8.6% by members and 20.78% by Council. The contribution rate paid by the members is sufficient to fund the benefits accruing from the fund in the future</p> | | | |
| | Contributions paid recognised in the Statement of Financial Performance | <u>179 472</u> | <u>165 877</u> |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 17 | NON-CURRENT PROVISIONS | 2020 R | 2019 R |
|----|--|-------------------|-------------------|
| | Provision for Rehabilitation of Landfill-sites | 8 475 239 | 18 744 289 |
| | Total Non-current Provisions | 8 475 239 | 18 744 289 |
| | <u>Landfill Sites</u> | | |
| | Balance 1 July | 22 660 918 | 21 906 074 |
| | (Decrease) / Increase in Estimate | (11 976 686) | (592 529) |
| | Expenditure for the year | - | - |
| | Actuarial Loss/(Gain) | - | - |
| | Unwinding of discounted interest | 2 253 788 | 1 347 374 |
| | Total provision 30 June | 12 938 019 | 22 660 918 |
| | Less: Transfer of Current Portion to Current Provisions | 20 (4 462 781) | (3 916 629) |
| | Balance 30 June | 8 475 239 | 18 744 289 |

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

| | Marydale | Niekerkshoop | Prieska |
|-------------------------------------|-----------------|---------------------|----------------|
| Area (m ²) | 4 862 | 8 147 | 31 772 |
| Preliminary and general (Rand) | 348 250 | 234 107 | 551 228 |
| Site Clearance (Rand) | 15 607 | 10 899 | 28 952 |
| Storm water control measures (Rand) | 527 111 | 268 395 | 471 323 |
| Capping (Rand) | 1 762 196 | 1 290 987 | 3 189 811 |
| Gas Management (Rand) | 10 723 | 8 938 | 19 786 |
| Leachate Management (Rand) | 161 102 | 88 495 | 224 419 |
| Fencing (Rand) | 10 757 | 4 483 | 3 054 |
| Other costs | 1 627 035 | 823 727 | 1 256 636 |

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

| <u>Location</u> | <u>Estimated decommission date</u> | <u>Cost of rehabilitation</u> | <u>2020 R</u> | <u>2019 R</u> |
|------------------------|---|--------------------------------------|--------------------------|--------------------------|
| Marydale | 2020 | | 4 462 781 | 3 916 629 |
| Niekerkshoop | 2037 | | 2 730 031 | 5 783 759 |
| Prieska | 2042 | | 5 745 208 | 12 960 530 |
| | | | 12 938 019 | 22 660 918 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 18 | CONSUMER DEPOSITS | 2020 R | 2019 R |
|----|--------------------------------|----------------|----------------|
| | Electricity | 897 437 | 826 584 |
| | Total Consumer Deposits | 897 437 | 826 584 |

The fair value of consumer deposits approximate their carrying value. No discounting of consumer deposits is being performed due to the uncertainty of the timing of future repayments. Interest is not paid on these amounts.

| 19 | CURRENT EMPLOYEE BENEFITS | 2020 R | 2019 R |
|----|---|------------------|------------------|
| | Current Portion of Post Retirement Benefits | 16 329 000 | 310 144 |
| | Current Portion of Ex-Gratia Pension Provisions | 16 214 278 | 19 981 |
| | Current Portion of Long-Service Awards | 16 606 000 | 513 693 |
| | Bonuses | 1 166 091 | 1 173 672 |
| | Staff Leave | 3 881 000 | 3 263 925 |
| | Total Current Employee Benefits | 6 196 368 | 5 281 415 |

The movement in current employee benefits are reconciled as follows:

Bonuses

| | | |
|---------------------------------|------------------|------------------|
| Balance at beginning of year | 1 173 672 | 1 133 134 |
| Contribution to current portion | 2 296 897 | 2 226 733 |
| Expenditure incurred | -2 304 479 | -2 186 195 |
| Balance at end of year | 1 166 091 | 1 173 672 |

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle, that will only be paid out in the following year. There is no possibility of reimbursement.

Staff Leave

| | | |
|---------------------------------|------------------|------------------|
| Balance at beginning of year | 3 263 925 | 2 992 849 |
| Contribution to current portion | 682 834 | 456 944 |
| Expenditure incurred | -65 759 | -185 868 |
| Balance at end of year | 3 881 000 | 3 263 925 |

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

| 20 | PROVISIONS | 2020 R | 2019 R |
|----|---|------------------|------------------|
| | Current Portion of Rehabilitation of Landfill-sites | 17 4 462 781 | 3 916 629 |
| | Total Provisions | 4 462 781 | 3 916 629 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 21 | PAYABLES FROM EXCHANGE TRANSACTIONS | 2020 R | 2019 R |
|----|--|--------------------|-------------------|
| | Trade Payables | 104 502 123 | 69 660 464 |
| | Receivables with credit balances | 825 279 | 878 609 |
| | Payments received in advance | - | - |
| | Deposits Received | 3 000 | 3 000 |
| | Creditors Payments in Advance | 599 | 599 |
| | Unused Pre-paid Electricity | 85 325 | 78 811 |
| | Unknown Deposits | 6 089 727 | 115 356 |
| | Salary Control Account | 6 024 927 | 3 236 473 |
| | Traffic Control | 8 185 545 | 7 710 084 |
| | Total Trade Payables | 125 716 526 | 81 683 397 |

No payables are secured.

Payables are being recognised net of any discounts.

Payables are not all being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

| 22 | UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | 2020 R | 2019 R |
|----|---|-------------------|-------------------|
| | Unspent Grants | 11 894 319 | 23 436 811 |
| | National and Provincial Government Grants | 11 894 319 | 23 436 811 |
| | Other Sources | - | - |
| | Less: Unpaid Grants | - | - |
| | National and Provincial Government Grants | - | - |
| | Other Sources | - | - |
| | Total Conditional Grants and Receipts | 11 894 319 | 23 436 811 |

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Library Project

Provincial Department - Library maintenance and Expenses

Financial Management Grant

National Treasury - Financial Management

WSIG

National Treasury - Infrastructure development

Municipal Infrastructure Grant

National Treasury - Municipal Infrastructure Improvement

Kgotso Pula Nala

Provincial Department - VIP toilets and Other assets

Expanded Public Works Programme

National Treasury - Road Maintenance

INEG

National Treasury - Infrastructure development

RBIG

National Treasury - Infrastructure development

COGSTA

Provincial Department - Infrastructure development

Disaster Management Relief Grant - Covid 19

National Treasury - COVID 19 expenditure

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

23

PROPERTY RATES

Actual

Rateable Land and Buildings

Residential
State
Agricultural

Less: Rebates

Total Assessment Rates

**2020
R**

**2019
R**

24 114 536

23 089 499

16 330 366

14 283 553

3 932 905

3 511 511

3 851 265

5 294 435

-10 370 880

-10 509 604

13 743 656

12 579 895

Valuations - 1 July 2019

Rateable Land and Buildings

Residential
Commercial
Government
Solar Farms
Agriculture
Exempt Municipal and other
Public Service Infrastructure

6 118 043 500

6 118 043 500

500 252 300

500 252 300

223 585 000

223 585 000

127 361 500

127 361 500

12 303 000

12 303 000

5 071 545 500

5 071 545 500

182 968 700

182 968 700

27 500

27 500

6 118 043 500

6 118 043 500

Valuations on land and buildings must be performed every four years. The last valuation came into effect on 1 July 2018.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied to property valuations to determine property rates;

This is annually published on the municipalities notice board in term of the MFMA

A Rebate of R15,000.00 to the valuation of property was allowed on residential properties and a further discount of (30%), whilst a discount of (55%) on farms, public infrastructure and commercial and industrial and a further rebate of R4,500 is provided to approved applicants (pensioners).

Rates are levied monthly on property owners and are payable the 15th of each month. Property owners can request that the full amount for the year be raised in July, in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding amounts.

Rates are levied monthly and annually and are payable after due dates. Interest is levied at the prime rate plus 1% on outstanding amounts after due dates

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

24

GOVERNMENT GRANTS AND SUBSIDIES

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | R | R |
| Unconditional Grants | 32 939 000 | 29 448 000 |
| Equitable Share | 32 939 000 | 29 448 000 |
| Conditional Grants | 46 356 492 | 36 575 908 |
| Library Project | 1 090 000 | 1 090 000 |
| Local Government Financial Management Grant | 2 880 000 | 2 415 000 |
| Municipal Infrastructure Grant | 31 713 318 | 12 534 987 |
| EPWP | 1 131 000 | 1 000 000 |
| Regional Bulk Infrastructure Grant | - | 6 974 939 |
| Integrated National Electrification Grant | 2 481 356 | 1 100 000 |
| Water Services Infrastructure Grant | 6 994 818 | 1 463 182 |
| Cogsta | - | 7 997 800 |
| Kgotso Pula Nala | - | 2 000 000 |
| Disaster Management Relief Grant - COVID 19 | 66 000 | - |
| Total Government Grants and Subsidies | 79 295 492 | 66 023 908 |
| Government Grants and Subsidies - Capital | 41 234 492 | 30 715 908 |
| Municipal Infrastructure Grant | 31 713 318 | 12 534 987 |
| Integrated National Electrification Grant | 2 481 356 | 1 100 000 |
| Library Project | - | - |
| Regional Bulk Infrastructure Grant | - | 6 974 939 |
| Water Services Infrastructure Grant | 6 994 818 | 1 463 182 |
| Kgotso Pula Nala | - | 645 000 |
| Cogsta | - | 7 997 800 |
| Kgotso Pula Nala | - | - |
| Disaster Management Relief Grant - COVID 19 | 45 000 | - |
| Government Grants and Subsidies - Operating | 38 061 000 | 35 308 000 |
| Equitable Share | 32 939 000 | 29 448 000 |
| Library Project | 1 090 000 | 1 090 000 |
| Local Government Financial Management Grant | 2 880 000 | 2 415 000 |
| EPWP | 1 131 000 | 1 000 000 |
| Kgotso Pula Nala | - | 1 355 000 |
| Provincial Treasury AFS Grant | - | - |
| Disaster Management Relief Grant - COVID 19 | 21 000 | - |
| | 79 295 492 | 66 023 908 |
| Grant spending per vote: | | |
| Executive & Council | 988 170 | 883 440 |
| Budget & Treasury | 21 062 450 | 18 611 400 |
| Community & Social Services | 1 090 000 | 1 090 000 |
| Road Transport | 6 595 381 | 9 506 204 |
| Electricity | 5 445 866 | 3 750 320 |
| Water | 34 833 931 | 20 982 564 |
| Waste Water Management | 6 644 574 | 8 844 139 |
| Waste Management | 2 635 120 | 2 355 840 |
| | 79 295 492 | 66 023 908 |

Conditions were complied with during the year.

During the financial year National treasury withheld R400 000 from the Equitable share allocation for 2018/19

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 24 | GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED) | 2020 R | 2019 R |
|-------------|---|-------------------|-------------------|
| 24.1 | Equitable share | | |
| | Opening balance | - | - |
| | Grants received | 27 197 000 | 29 848 000 |
| | Grants withheld | - | (400 000) |
| | Transfer from WSIG due to roll over not approved on WSIG | 5 742 000 | - |
| | Conditions met - Operating | (32 939 000) | (29 448 000) |
| | Conditions still to be met | <u>-</u> | <u>-</u> |
| | In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant. | | |
| 24.2 | Local Government Financial Management Grant (FMG) | | |
| | Opening balance | - | - |
| | Grants received | 2 880 000 | 2 415 000 |
| | Conditions met - Operating | (2 880 000) | (2 415 000) |
| | Conditions met - Capital | - | - |
| | Conditions still to be met | <u>-</u> | <u>-</u> |
| | The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). | | |
| 24.3 | Municipal Infrastructure Grant (MIG) | | |
| | Opening balance | 17 189 013 | - |
| | Grants received | 19 829 000 | 29 724 000 |
| | Transfer to Equitable Share due to roll over not approved on MIG | - | - |
| | Conditions met - Operating | - | - |
| | Conditions met - Capital | (31 713 318) | (12 534 987) |
| | Grant expenditure to be recovered | <u>5 304 695</u> | <u>17 189 013</u> |
| | The grant was used to upgrade infrastructure in previously disadvantaged areas. | | |
| 24.4 | Expanded Public Works Program (EPWP) | | |
| | Opening balance | - | - |
| | Grants received | 1 131 000 | 1 000 000 |
| | Conditions met - Operating | (1 131 000) | (1 000 000) |
| | Conditions met - Capital | - | - |
| | Grant expenditure to be recovered | <u>-</u> | <u>-</u> |
| | The grant was used for road maintenance in the Siyathemba area. | | |
| 24.5 | Library Grants | | |
| | Opening balance | - | - |
| | Grants received | 1 090 000 | 1 090 000 |
| | Conditions met - Operating | (1 090 000) | (1 090 000) |
| | Conditions met - Capital | - | - |
| | Grant expenditure to be recovered | <u>-</u> | <u>-</u> |
| | Library grants was utilised for the development of libraries in the Siyathemba area. | | |
| 24.6 | Water Services Infrastructure Grant (WSIG) | | |
| | Opening balance | 6 036 818 | - |
| | Grants received | 6 700 000 | 7 500 000 |
| | Transfer to Equitable Share due to roll over not approved on WSIG | (5 742 000) | - |
| | Conditions met - Operating | - | - |
| | Conditions met - Capital | (6 994 818) | (1 463 182) |
| | Grant expenditure to be recovered | <u>-</u> | <u>6 036 818</u> |
| | The Water Services Infrastructure Grant was used for the upgrading of the bulk water services within the Siyathemba areas. | | |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 24 | GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED) | 2020 R | 2019 R |
|--------------|---|-------------------|-------------------|
| 24.7 | Integrated National Electrification Grant (INEG) | | |
| | Opening balance | - | - |
| | Grants received | 8 860 000 | 1 100 000 |
| | Conditions met - Operating | - | - |
| | Conditions met - Capital | (2 481 356) | (1 100 000) |
| | Conditions still to be met | <u>6 378 644</u> | <u>-</u> |
| | The National Electrification Grant was used for electrical connections in previously disadvantaged areas. | | |
| 24.8 | Regional Bulk Infrastructure Grant (RBIG) | | |
| | Opening balance | 208 780 | - |
| | Grants received | - | 7 183 719 |
| | Conditions met - Operating | - | - |
| | Conditions met - Capital | - | (6 974 939) |
| | Grant expenditure to be recovered | <u>208 780</u> | <u>208 780</u> |
| | The Regional Bulk Infrastructure Grant was used for the upgrading of the bulk water services within the Siyathemba areas. | | |
| 24.9 | Other Grants | | |
| | Opening balance | 2 200 | - |
| | Grants received | 66 000 | 10 000 000 |
| | Conditions met - Operating | (21 000) | (1 355 000) |
| | Conditions met - Capital | (45 000) | (8 642 800) |
| | Conditions still to be met | <u>2 200</u> | <u>2 200</u> |
| | Various grants were received from other spheres of government | | |
| 24.10 | Total Grants | | |
| | Opening balance | 23 436 811 | - |
| | Grants received | 67 753 000 | 89 460 719 |
| | Transfers | - | - |
| | Conditions met - Operating | (38 061 000) | (35 308 000) |
| | Conditions met - Capital | (41 234 492) | (30 715 908) |
| | Conditions still to be met/(Grant expenditure to be recovered) | <u>11 894 319</u> | <u>23 436 811</u> |
| | Disclosed as follows: | | |
| | Unspent Conditional Government Grants and Receipts | 11 894 319 | 23 436 811 |
| | Unpaid Conditional Government Grants and Receipts | - | - |
| | | <u>11 894 319</u> | <u>23 436 811</u> |
| | | 2020 R | 2019 R |
| 25 | PUBLIC CONTRIBUTIONS AND DONATIONS | | |
| | Public Contributions - Conditional | - | - |
| | Public Contributions - Unconditional | - | - |
| | Donations | 1 266 377 | 709 778 |
| | National Treasury - AGSA | 970 152 | 664 778 |
| | Pixley District Municipality | - | 45 000 |
| | Nashua | 296 225 | - |
| | Total Public Contributions and Donations | <u>1 266 377</u> | <u>709 778</u> |
| | Donations received is due to financial assistance received from National Treasury with regards to the Auditor General's prior period audit fees - Amounting to R970 152.08. | | |
| | R45 000 was received from Pixley District Municipality for funding an outreach programme in the form of a career day. | | |
| | Nashua settled the existing finance lease agreement - 3 machines have become the municipality's property to the amount of R296 224.51 | | |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

26

SERVICE CHARGES

| | | 2020 R | 2019 R |
|---|-------|-------------------|-------------------|
| Electricity | | 20 240 239 | 18 234 762 |
| Service Charges | | 21 824 879 | 19 711 355 |
| Balance previously reported | | | 19 708 193 |
| Correction of Trade and other receivables from exchange transactions - Electricity against Service charges - Electricity services (Correction of billing for 2018/19) | 37.07 | - | 3 162 |
| <u>Less:</u> Revenue Foregone | | (1 584 640) | (1 476 593) |
| Water | | 15 213 102 | 11 904 668 |
| Service Charges | | 18 325 036 | 15 009 630 |
| Balance previously reported | | | 15 009 054 |
| Correction of Trade and other receivables from exchange transactions - Water against Service charges - Water services (Correction of billing for 2018/19) | 37.07 | - | 576 |
| <u>Less:</u> Revenue Foregone | | (3 111 935) | (3 104 962) |
| Refuse removal | | 2 180 244 | 1 919 114 |
| Service Charges | | 4 344 990 | 3 954 286 |
| Balance previously reported | | | 3 907 121 |
| Correction of Trade and other receivables from exchange transactions - Refuse against Service charges - Refuse services (Correction of billing for 2018/19) | 37.07 | - | 47 165 |
| <u>Less:</u> Revenue Foregone | | (2 164 746) | (2 035 172) |
| Sewerage and Sanitation Charges | | 5 187 150 | 4 752 704 |
| Service Charges | | 10 183 337 | 9 462 578 |
| Balance previously reported | | | 9 257 096 |
| Correction of Trade and other receivables from exchange transactions - Sewerage against Service charges - Sewerage services (Correction of billing for 2018/19) | 37.07 | - | 205 482 |
| <u>Less:</u> Revenue Foregone | | (4 996 187) | (4 709 874) |
| Other Service Charges | | - | - |
| Total Service Charges | | 42 820 735 | 36 811 248 |

Revenue Foregone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

27

OTHER REVENUE

| | | 2020 R | 2019 R |
|-----------------------------|--|-------------------|-------------------|
| Administration Fees | | 89 039 | 93 000 |
| Building Plan Fees | | 21 826 | 15 359 |
| Charges for Installation | | 73 597 | 21 325 |
| Charges for Re-Installation | | 5 900 | 1 373 |
| Garden Refuse and Garbage | | 68 839 | 56 105 |
| Other Revenue | | 155 972 | 38 466 |
| Tombfees | | 65 912 | 48 628 |
| Valuation Certificate | | 65 558 | 39 146 |
| Landfill Site | | 1 683 928 | 191 862 |
| Total Other Income | | 2 293 891 | 505 264 |

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) an fees for items not included under service charges (camping, fire brigade and impounding fees)

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|-----------|---|-------------------|-------------------|
| | | R | R |
| 28 | EMPLOYEE RELATED COSTS | | |
| | Basic | 28 947 798 | 28 926 856 |
| | Bonus | 2 296 897 | 2 226 733 |
| | Medical Aid - Company Contributions | 732 131 | 895 843 |
| | SDL and UIF | 790 238 | 607 198 |
| | Leave pay Provision charge | 682 834 | 456 944 |
| | Travel, motor car, accommodation, subsistence and other allowances | 947 323 | 742 667 |
| | Overtime payments | 4 068 548 | 2 683 191 |
| | Acting Allowances | 221 283 | 270 438 |
| | Housing Benefits and Allowances | 66 843 | 101 409 |
| | Contribution Pensions funds | 4 803 770 | 4 464 340 |
| | Industrial Council | 16 468 | 15 960 |
| | Telephone/ Cell - Allowances | 16 896 | 16 896 |
| | Other Allowances | 1 151 598 | 759 770 |
| | Contribution to provision - Long Service Awards | 16 305 520 | 337 904 |
| | Contribution to provision - Post Retirement Medical | 16 473 492 | 448 553 |
| | Total Employee Related Costs | 45 521 638 | 42 954 703 |
| | | 2020 | 2019 |
| | | R | R |
| | KEY MANAGEMENT PERSONNEL | | |
| | There are no post-employment or termination benefits payable to them at the end of the contract period. | | |
| | REMUNERATION OF KEY MANAGEMENT PERSONNEL | | |
| | <i>Remuneration of the Municipal Manager (IWJ Stadhouer)</i> | | |
| | Annual Remuneration | 822 866 | 802 716 |
| | Travelling Allowance | 167 135 | 137 311 |
| | Remote Allowance | 109 998 | 103 699 |
| | Contributions to UIF, Medical and Pension Funds | 134 554 | 129 801 |
| | Total | 1 234 553 | 1 173 526 |
| | <i>Remuneration of the Chief Financial Officer (HH Meiring)</i> | | |
| | Annual Remuneration | 747 716 | 730 634 |
| | Travelling Allowance | 100 501 | 78 770 |
| | Remote Allowance | 101 908 | 94 176 |
| | Bonus | 57 346 | 53 000 |
| | Contributions to UIF, Medical and Pension Funds | 169 953 | 160 185 |
| | Reimbursive Travel | 111 165 | 103 915 |
| | Total | 1 288 589 | 1 220 680 |
| | <i>Remuneration of the Technical Service Manager (J Basson)</i> | | |
| | Annual Remuneration | 805 488 | 763 501 |
| | Travelling Allowance | 77 465 | 72 606 |
| | Remote Allowance | 101 908 | 94 176 |
| | Bonus | 61 563 | 55 000 |
| | Contributions to UIF, Medical and Pension Funds | 135 803 | 125 415 |
| | Reimbursive Travel | 87 802 | 12 361 |
| | Total | 1 270 028 | 1 123 058 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | | 2020 R | 2019 R |
|--|---|---|-------------------------------------|--|
| 29 | REMUNERATION OF COUNCILLORS | | | |
| Executive Mayor: (HEM Tsume) | Allowances Cell phone Allowance Backpay Travelling | (From 1 July 2019 until 29 February 2020) | 418 164 29 600 - - | 755 382 44 400 19 681 62 896 |
| Executive Mayor: (GA Speelman) | Allowances Cell phone Allowance | (From 1 March 2020 until 30 June 2020) | 258 354 14 800 | - - |
| Councillors: | Allowances Cell phone Allowance Backpay Travelling | | 2 414 035 355 200 - 19 423 | 2 220 440 351 500 60 231 28 410 |
| Total Councillors' Remuneration | | | 3 509 577 | 3 542 941 |
| | | | | |
| | | | Allowances | Cell phone Allowance |
| Year ended 30 JUNE 2020 | | | | Backpay |
| Councillors | | | | Travelling |
| | 2 414 035 | 355 200 | - | 19 423 |
| S Saaiman | 245 280 | 44 400 | - | - |
| PW Saaiman | 335 818 | 44 400 | - | - |
| TJ Yawa | 314 839 | 44 400 | - | - |
| E Adams | 314 839 | 44 400 | - | 3 862 |
| W Pelster | 245 280 | 44 400 | - | - |
| GP Mackay | 245 280 | 44 400 | - | - |
| G Maritz | 314 839 | 44 400 | - | 6 195 |
| GA Speelman | 316 100 | 29 600 | - | 9 366 |
| HEM Tsume | 81 760 | 14 800 | | - |
| | | | | |
| | | | Allowances | Cell phone Allowance |
| Year ended 30 JUNE 2019 | | | | Backpay |
| Councillors | | | | Travelling |
| | 2 220 440 | 351 500 | 60 231 | 28 410 |
| S Saaiman | 40 880 | 7 400 | - | - |
| PW Saaiman | 306 766 | 44 400 | 8 073 | - |
| TJ Yawa | 306 766 | 44 400 | 8 073 | - |
| E Adams | 305 766 | 44 400 | 9 073 | 1 804 |
| A Roberts | 168 748 | 33 300 | 6 289 | - |
| W Pelster | 238 991 | 44 400 | 6 289 | - |
| GP Mackay | 238 991 | 44 400 | 6 289 | - |
| G Maritz | 306 766 | 44 400 | 8 073 | 24 002 |
| GA Speelman | 306 766 | 44 400 | 8 073 | 2 603 |

In-kind Benefits

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 R | 2019 R |
|-----------|--|-------------------|-------------------|
| 30 | BAD DEBTS WRITTEN OFF | | |
| | Trade Receivables from exchange transactions | 9 - | - |
| | Trade Receivables from non-exchange transactions | 10 - | - |
| | Less: VAT | 13 - | - |
| | Total Bad Debts written off | - | - |
| | | | |
| | | 2020 R | 2019 R |
| 31 | DEBT IMPAIRMENT / (REVERSAL) | | |
| | Long term Receivables | 7 1 241 | 12 469 |
| | Trade Receivables from exchange transactions | 9 14 179 339 | 11 048 372 |
| | Trade Receivables from non-exchange transactions | 10 4 995 090 | 4 282 156 |
| | Less: VAT Debt Impairment Provision | 13 (1 814 248) | (1 268 896) |
| | Total Contribution to Impairment Provision | 17 361 422 | 14 074 101 |
| | | | |
| | | 2020 R | 2019 R |
| 32 | IMPAIRMENTS | | |
| | Property, Plant and Equipment | 20 277 | 4 882 |
| | <i>During the annual asset verification it was determined that certain movable assets and structures are to be impairment as they are broken and cannot be used. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or (its value in use).</i> | | |
| | <i>During the annual asset verification it was determined that certain infrastructure assets are to be impairment as they are broken and no longer functional. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or (its value in use). They were impaired to a zero value.</i> | | |
| | Capitalised Restoration cost | (51 685) | 10 074 |
| | Total Impairment Loss/ (Reversal of Impairment Loss) | (31 407) | 14 956 |
| | Value in use | | |
| | <i>During the annual asset count and asset inspection various infrastructure, buildings, other assets and community assets were identified as obsolete or damaged. Various impairment charges amounting to R154 335 was processed for 2017/18.</i> | | |
| | | 2020 R | 2019 R |
| 33 | FINANCE CHARGES | | |
| | Payables & Creditors | 6 710 849 | 5 099 464 |
| | Actuarial Interest | 1 179 628 | 1 262 600 |
| | Finance leases | 301 359 | 314 823 |
| | Landfill Sites | 2 253 788 | 1 347 374 |
| | Total finance charges | 10 445 624 | 8 024 260 |
| | | | |
| | | 2020 R | 2019 R |
| 34 | BULK PURCHASES | | |
| | Electricity | 23 019 220 | 18 979 038 |
| | Water | 450 972 | 430 748 |
| | Purchases | 819 578 | 692 276 |
| | Balance previously reported | | 651 530 |
| | Correction of Inventory - Water - at Current Replacement Cost against Statement of Financial Performance - Bulk Purchases Water (Correction of Inventory water stock 2018/19) | | 40 745 |
| | Less Stock Adjustments | (368 606) | (261 528) |
| | Stock adjustments | 368 606 | 261 528 |
| | Total Bulk Purchases | 23 838 797 | 19 671 313 |

37.05

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 35 | DEPRECIATION AND AMORTISATION | 2020 R | 2019 R |
|-----------|---|-------------------|-------------------|
| | Property, Plant and Equipment | 19 531 126 | 25 419 182 |
| | Balance previously reported | - | 25 299 438 |
| | Correction of PPE - Infrastructure - Roads and Stormwater network against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge relating to the 2018/19 financial year) | 37.07 - | 91 904 |
| | Correction of PPE - Land and Buildings against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge for 2018/19 of Erf 249) | 37.07 - | 13 920 |
| | Correction of PPE - Community Assets against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge for 2018/19 of Erf 244) | 37.07 - | 13 920 |
| | Intangible Assets | 11 585 | 9 513 |
| | Capitalised Restoration costs | 406 129 | 941 861 |
| | Total finance charges | 19 948 839 | 26 370 555 |

| 36 | GENERAL EXPENSES | 2020 R | 2019 R |
|-----------|-------------------------------------|-------------------|-------------------|
| | Advertising | 121 102 | 198 342 |
| | Act on Local Government | - | - |
| | Auditors remuneration | 3 523 599 | 2 402 268 |
| | Bank charges | 228 519 | 243 330 |
| | Connection fee | - | - |
| | Contracted Services | 14 775 940 | 8 927 745 |
| | Insurance | 1 661 872 | 1 131 280 |
| | IT expenses | 851 337 | 330 034 |
| | Fuel and Oil | 934 738 | 1 070 351 |
| | Licence fees | - | 536 448 |
| | Security (Guarding of Municipality) | 162 025 | 249 710 |
| | Telephone and Fax | 1 649 600 | 1 975 432 |
| | Travel - Local | 782 101 | 761 968 |
| | Ward committee expenditure | 479 837 | 572 000 |
| | Library Development Expense | 25 309 | 63 873 |
| | VIP toilets construction | - | 1 982 995 |
| | Sanitation and Sewerage | 14 053 | 14 348 |
| | Planning and Surveying Costs | 117 590 | 132 990 |
| | Penalties | 599 901 | 546 915 |
| | Meter Management Fees | 88 367 | 81 595 |
| | Other Expenses | 462 886 | 477 438 |
| | General Expenses | 26 478 774 | 21 699 060 |

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

**2019
R**

37 CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

37.01 VAT payable from exchange transactions

Disclosure as required by GRAP 1.

| | | |
|--|-------|--------------------|
| Balance previously reported | | (7 073 503) |
| Correction of Trade and other receivables from exchange transactions - Water against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | | |
| | 37.02 | 86 |
| Correction of Trade and other receivables from exchange transactions - Electricity against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | | |
| | 37.02 | 474 |
| Correction of Trade and other receivables from exchange transactions - Refuse against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | | |
| | 37.02 | 7 075 |
| Correction of Trade and other receivables from exchange transactions - Sewerage against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | | |
| | 37.02 | 30 822 |
| Total | | (7 035 045) |

37.02 Trade and other receivables from exchange transactions

Disclosure as required by GRAP 1.

| | | |
|--|-------|-------------------|
| Balance previously reported | | 12 206 105 |
| Correction of Trade and other receivables from exchange transactions - Water against Service charges - Water services (Correction of billing for 2018/19) | | |
| | 37.07 | 576 |
| Correction of Trade and other receivables from exchange transactions - Water against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | | |
| | 37.01 | 86 |
| Correction of Trade and other receivables from exchange transactions - Electricity against Service charges - Electricity services (Correction of billing for 2018/19) | | |
| | 37.07 | 3 162 |
| Correction of Trade and other receivables from exchange transactions - Electricity against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | | |
| | 37.01 | 474 |
| Correction of Trade and other receivables from exchange transactions - Refuse against Service charges - Refuse services (Correction of billing for 2018/19) | | |
| | 37.07 | 47 165 |
| Correction of Trade and other receivables from exchange transactions - Refuse against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | | |
| | 37.01 | 7 075 |
| Correction of Trade and other receivables from exchange transactions - Sewerage against Service charges - Sewerage services (Correction of billing for 2018/19) | | |
| | 37.07 | 205 482 |
| Correction of Trade and other receivables from exchange transactions - Sewerage against VAT payable from exchange transactions - VAT output in suspense (Correction of billing for 2018/19) | | |
| | 37.01 | 30 822 |
| Total | | 12 500 948 |

37.03 Heritage Assets

Disclosure as required by GRAP 1.

| | | |
|---|-------|------------------|
| Balance previously reported | | 3 950 530 |
| Correction of Heritage Assets against Accumulated Surplus (Correction valuation of Heritage assets as at 1 July 2018) | | |
| | 37.06 | -2 436 180 |
| Total | | 1 514 350 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 37 | CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE) | 2019 R |
|--------------|--|--------------------|
| 37.04 | Property, Plant and Equipment | |
| | Disclosure as required by GRAP 1. | |
| | Balance previously reported | 406 215 119 |
| | Correction of PPE - Infrastructure - Roads and Stormwater network against Accumulated Surplus (Correction of cost relating to the omission of network items as at 1 July 2018) | 37.06 1 697 441 |
| | Correction of PPE - Infrastructure - Roads and Stormwater network against Accumulated Surplus (Correction of Accumulated Depreciation relating to the omission of network items as at 1 July 2018) | 37.06 -762 810 |
| | Correction of PPE - Infrastructure - Roads and Stormwater network against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge relating to the | 37.07 -91 904 |
| | Correction of PPE - Land and Buildings against Accumulated Surplus (Correction of Cost of recording of Erf 249 as at 1 July 2008) | 37.06 706 000 |
| | Correction of PPE - Land and Buildings against Accumulated Surplus (Correction of Accumulated Depreciation as at 1 July 2018 of Erf 249) | 37.06 -139 200 |
| | Correction of PPE - Land and Buildings against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge for 2018/19 of Erf 249) | 37.07 -13 920 |
| | Correction of PPE - Community Assets against Accumulated Surplus (Correction of Cost of recording of Erf 244 as at 1 July 2008) | 37.06 706 000 |
| | Correction of PPE - Community Assets against Accumulated Surplus (Correction of Accumulated Depreciation as at 1 July 2018 of Erf 244) | 37.06 -139 200 |
| | Correction of PPE - Community Assets against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge for 2018/19 of Erf 244) | 37.07 -13 920 |
| | Total | 408 163 606 |
| 37.05 | Inventory | |
| | Disclosure as required by GRAP 1. | |
| | Balance previously reported | 609 056 |
| | Correction of Inventory - Water - at Current Replacement Cost against Accumulated Surplus (Correction of opening Inventory water stock 2018/19) | 37.06 -238 578 |
| | Correction of Inventory - Water - at Current Replacement Cost against Statement of Financial Performance - Bulk Purchases Water (Correction of Inventory water stock 2018/19) | 37.07 -40 745 |
| | Total | 329 733 |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

**2019
R**

37 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)

37.06 Accumulated Surplus/(Deficit)

Disclosure as required by GRAP 1.

Balance previously reported

381 507 623

| | | |
|--|-------|------------|
| Correction of PPE - Infrastructure - Roads and Stormwater network against Accumulated Surplus (Correction of cost relating to the omission of network items as at 1 July 2018) | 37.04 | 1 697 441 |
| Correction of PPE - Infrastructure - Roads and Stormwater network against Accumulated Surplus (Correction of Accumulated Depreciation relating to the omission of network items as at 1 July 2018) | 37.04 | -762 810 |
| Correction of Inventory - Water - at Current Replacement Cost against Accumulated Surplus (Correction of opening Inventory water stock 2018/19) | 37.05 | -238 578 |
| Correction of PPE - Land and Buildings against Accumulated Surplus (Correction of Cost of recording of Erf 249 as at 1 July 2008) | 37.04 | 706 000 |
| Correction of PPE - Land and Buildings against Accumulated Surplus (Correction of Accumulated Depreciation as at 1 July 2018 of Erf 249) | 37.04 | -139 200 |
| Correction of PPE - Community Assets against Accumulated Surplus (Correction of Cost of recording of Erf 244 as at 1 July 2008) | 37.04 | 706 000 |
| Correction of PPE - Community Assets against Accumulated Surplus (Correction of Accumulated Depreciation as at 1 July 2018 of Erf 244) | 37.04 | -139 200 |
| Correction of Heritage Assets against Accumulated Surplus (Correction valuation of Heritage assets as at 1 July 2018) | 37.03 | -2 436 180 |

Total

380 901 096

37.07 Changes to Statement of Financial Performance

Balance previously reported

53 053 158

| | | |
|---|-------|---------|
| Correction of PPE - Infrastructure - Roads and Stormwater network against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge relating to the 2018/19 financial year) | 37.04 | -91 904 |
| Correction of Inventory - Water - at Current Replacement Cost against Statement of Financial Performance - Bulk Purchases Water (Correction of Inventory water stock 2018/19) | 37.05 | -40 745 |
| Correction of PPE - Land and Buildings against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge for 2018/19 of Erf 249) | 37.04 | -13 920 |
| Correction of PPE - Community Assets against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge for 2018/19 of Erf 244) | 37.04 | -13 920 |
| Correction of Trade and other receivables from exchange transactions - Water against Service charges - Water services (Correction of billing for 2018/19) | 37.02 | 576 |
| Correction of Trade and other receivables from exchange transactions - Electricity against Service charges - Electricity services (Correction of billing for 2018/19) | 37.02 | 3 162 |
| Correction of Trade and other receivables from exchange transactions - Refuse against Service charges - Refuse services (Correction of billing for 2018/19) | 37.02 | 47 165 |
| Correction of Trade and other receivables from exchange transactions - Sewerage against Service charges - Sewerage services (Correction of billing for 2018/19) | 37.02 | 205 482 |

Total

53 149 055

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 | 2019 |
|-----------|--|-------------------|--------------------|
| | | R | R |
| 38 | RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS | | |
| | Surplus/(Deficit) for the year | (6 698 045) | 53 149 055 |
| | Adjustments for: | | |
| | Depreciation | 19 937 254 | 26 361 042 |
| | Amortisation of Intangible Assets | 11 585 | 9 513 |
| | Impairments | (31 407) | 14 956 |
| | (Gain)/ loss on disposal of Property Plant and Equipment | 273 664 | (442 953) |
| | (Gain)/ loss on disposal of Biological Assets | - | - |
| | (Gain)/ loss from landfill cost reversal | - | - |
| | Contribution from/to employee benefits - benefits paid | (795 175) | (881 367) |
| | Contribution from/to employee benefits - non-current - expenditure incurred | 1 946 635 | 2 049 057 |
| | Contribution from/to employee benefits - non-current - (actuarial gains)/losses | (1 988 716) | (1 684 880) |
| | Contribution to employee benefits – current | 2 979 731 | 2 683 677 |
| | Contribution to employee benefits – current - expenditure incurred | (2 370 238) | (2 372 063) |
| | Contribution to provisions – current | 2 253 788 | 1 347 374 |
| | Contribution to provisions – current - expenditure incurred | - | - |
| | Contribution to provisions – Debt Impairment | 19 175 670 | 15 342 997 |
| | Bad Debt written off | - | - |
| | Fair Value Adjustments | (414 795) | (70 768 810) |
| | Long term receivables interest | - | (2 337) |
| | Landfill site revenue | (1 683 928) | (191 862) |
| | Operating lease income accrued | 7 263 | 3 211 |
| | Operating Surplus/(Deficit) before changes in working capital | 32 603 286 | 24 616 609 |
| | Changes in working capital | 1 780 581 | 21 638 556 |
| | Increase/(Decrease) in Payables From Exchange Transactions | 44 033 128 | 19 092 241 |
| | Increase/(Decrease) in Unspent Conditional Government Grants and Receipts | (11 542 492) | 23 436 808 |
| | Increase/(Decrease) in Taxes | (8 076 171) | (5 160 062) |
| | (Increase)/Decrease in Inventory | (137 582) | 184 847 |
| | (Increase)/Decrease in Trade Receivables from exchange transactions | (17 160 059) | (14 297 205) |
| | (Increase)/Decrease in Other Receivables from non-exchange transactions | (5 336 242) | (1 618 073) |
| | Cash generated/(absorbed) by operations | 34 383 868 | 46 255 164 |
| | | 2020 | 2019 |
| | | R | R |
| 39 | CASH AND CASH EQUIVALENTS | | |
| | Cash and cash equivalents included in the cash flow statement comprise the following: | | |
| | Call Investments Deposits | 14 12 271 087 | 18 888 634 |
| | Cash Floats | 14 1 500 | 1 500 |
| | Bank | 14 832 585 | 252 517 |
| | Total cash and cash equivalents | 13 105 172 | 19 142 650 |
| 40 | RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES | | |
| | Cash and Cash Equivalents | 39 13 105 172 | 19 142 650 |
| | Less: | 13 105 172 | 19 142 650 |
| | Unspent Committed Conditional Grants | 22 11 894 319 | 23 436 811 |
| | Resources available for working capital requirements | 1 210 853 | (4 294 161) |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 41 | UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | 2020 R | 2019 R |
|-----------|---|-------------------|-------------------|
| | Long-term Liabilities | 15 1 302 888 | 2 495 662 |
| | Used to finance property, plant and equipment - at cost | <u>-1 302 888</u> | <u>-2 495 662</u> |
| | | - | - |
| | Cash set aside for the repayment of long-term liabilities | <u>-</u> | <u>-</u> |
| | Cash invested for repayment of long-term liabilities | <u><u>-</u></u> | <u><u>-</u></u> |

Finance lease obligations are calculated at 10.5%-35% interest rate, with maturity date of 30 April 2023.

| 42 | BUDGET INFORMATION | 2020 R | 2019 R |
|-----------|--|-------------------|-------------------|
| | The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts. | | |
| | Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts. | | |
| | The comparable information includes the following: | | |
| | <ul style="list-style-type: none"> the approved and final budget amounts; actual amounts and final budget amounts; | | |
| | Explanations for differences between the approved and final budget are included in the additional Statement of comparison of budget and actual amounts. | | |
| | Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of comparison of budget and actual amounts. | | |
| 43 | CASH FLOW PRESENTATION | 2020 R | 2019 R |
| | The Cash flow statement has been prepared on the direct method as in accordance with GRAP 2. The comparative amounts have been adjusted with any changes made to the comparative amounts as disclosed in Note 37. | | |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

44

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2020
R

2019
R

44.1

Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance

Unauthorised expenditure current year - capital

Unauthorised expenditure current year - operating

Approved by Council or condoned

Transfer to receivables for recovery

Unauthorised expenditure awaiting authorisation

284 855 555

224 136 162

25 138 979

17 459 515

49 637 233

43 259 878

-

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-

359 631 767

284 855 555

Incident

Disciplinary steps/criminal proceedings

Over expenditure on votes

None

2020
R
(Actual)

2020
R
(Budget)

2020
R
(Variance)

2020
R
(Unauthorised)

Unauthorised expenditure current year - operating

Executive and council

Finance and administration

Community and social services

Sport and recreation

Public safety

Health

Planning and development

Road transport

Environmental protection

Energy sources

Water management

Waste water management

Waste management

17 397 092

8 140 811

9 256 281

9 256 281

60 553 552

41 848 532

18 705 020

18 705 020

-

1 368 067

-

-

14 198

1 679 212

(1 665 014)

-

1 615 993

1 502 625

113 368

113 368

32 433

-

32 433

32 433

2 106 907

-

2 106 907

2 106 907

-

6 982 825

(6 982 825)

-

6 232 765

-

6 232 765

6 232 765

6 691 654

23 993 796

(17 302 142)

-

13 902 451

5 574 156

8 328 295

8 328 295

14 344 629

3 721 025

10 623 604

10 623 604

29 455 064

2 574 172

26 880 892

26 880 892

152 346 738

97 385 221

54 961 517

82 279 565

Unauthorised expenditure current year - operating (per vote)

Executive & Council

Budget & Treasury Office

Corporate Services

Technical Services

17 397 092

7 985 228

9 411 864

9 411 864

54 323 663

37 134 168

17 189 495

17 189 495

10 835 546

11 511 523

(675 977)

-

69 790 436

46 754 563

23 035 873

23 035 873

152 346 738

103 385 482

48 961 256

49 637 233

Unauthorised expenditure current year - capital

2020
R
(Actual)

2020
R
(Budget)

2020
R
(Variance)

2020
R
(Unauthorised)

Finance and administration

Internal audit

Community and social services

Sport and recreation

Public safety

Housing

Health

Planning and development

Road transport

Environmental protection

Energy sources

Water management

Waste water management

Waste management

655 275

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SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED)

| | 2020 R | 2019 R |
|---|-------------------|-------------------|
| The over expenditure incurred by municipal departments on their operating budgets | | |
| Non-cash | 41 048 748 | 41 313 950 |
| Cash | 8 588 486 | 1 945 928 |
| | 49 637 233 | 43 259 878 |

Analysed as follows: Non-cash

| | | |
|--|-------------------|-------------------|
| Employee related cost (Actuarial Valuations) | - | - |
| Depreciation and Amortisation | 19 948 839 | 26 250 811 |
| Finance Charges (Interest portion of Provision for Rehabilitation of Landfill-sites) | 2 253 788 | 1 347 374 |
| Finance Charges (Actuarial Interest) | 1 179 628 | 961 833 |
| Loss on disposal of Property, Plant and Equipment | 273 664 | - |
| Impairment Losses | 31 407 | - |
| Debt Impairment | 17 361 422 | 12 753 932 |
| | 41 048 748 | 41 313 950 |

Analysed as follows: Cash

| | | |
|-------|------------------|------------------|
| Other | 8 588 486 | 1 945 928 |
| | 8 588 486 | 1 945 928 |

44.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

| | | |
|---|-------------------|-------------------|
| Opening balance | 26 042 355 | 20 394 717 |
| Fruitless and wasteful expenditure current year | 6 229 976 | 5 647 639 |
| Condoned or written off by Council | - | - |
| Transfer to receivables for recovery - not condoned | - | - |
| | 32 272 331 | 26 042 355 |

| Incident | Disciplinary steps/criminal proceedings | | |
|--|---|-----------|-----------|
| 2019 - Interest for the late payment on Various creditors's account | None | - | 20 485 |
| 2019 - Interest for the late payment on Department of Waters account | None | - | 355 634 |
| 2019 - Interest for the late payment on Auditor General's account | None | - | 80 678 |
| 2019 - Interest for the late payment on Eskom's account | None | - | 4 501 110 |
| 2019 - Penalties for late submission of EMP201 assessments | None | - | 486 840 |
| 2019 - Interest for the late submission of EMP201 assessments | None | - | 99 264 |
| 2019 - Interest for the late submission of VAT201 assessments | None | - | 43 553 |
| 2019 - Penalty for the late submission of VAT201 assessments | None | - | 60 075 |
| 2020 - Interest for the late payment on Various creditors's account | None | 34 583 | - |
| 2020 - Interest for the late payment on Department of Waters account | None | - | - |
| 2020 - Interest for the late payment on Auditor General's account | None | 355 474 | - |
| 2020 - Interest for the late payment on Eskom's account | None | 5 056 791 | - |
| 2020 - Penalties for late submission of EMP201 assessments | None | 557 614 | - |
| 2020 - Interest for the late submission of EMP201 assessments | None | 166 189 | - |
| 2020 - Interest for the late submission of VAT201 assessments | None | 17 038 | - |
| 2020 - Penalty for the late submission of VAT201 assessments | None | 42 287 | - |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED) | | 2020 R | 2019 R |
|--|-------------------------------------|--------------------|--------------------|
| 44.3 | <u>Irregular expenditure</u> | | |
| Reconciliation of irregular expenditure: | | | |
| Opening balance | | 154 419 646 | 139 688 868 |
| Irregular expenditure current year | | 45 995 135 | 14 730 778 |
| Balance previously reported | | - | 14 730 778 |
| Correction of prior period Irregular (Due to payments above upper limits and regulation 32 due to Circular 96 issued by National Treasury) | | - | - |
| Irregular expenditure awaiting condonement | | 200 414 781 | 154 419 646 |

| Incident | Disciplinary steps/criminal proceedings | | |
|---|--|------------|-----------|
| 2019 List of Irregular Expenditure - Non-compliance - No 3 quotations or approved deviation report by Accounting Officer. | None | - | 2 777 309 |
| 2019 List of Irregular expenditure - Non-compliance - No 3 quotations. No appointment letter or Evaluation report by SCM. No approved deviation report by Accounting Officer. | None | - | 2 610 071 |
| 2019 List of Irregular expenditure - Non-compliance - No bidding process followed. No appointment letter of contractor or Evaluation report by SCM. No approved deviation report by Accounting Officer. | None | - | 6 029 078 |
| 2019 List of Irregular expenditure - Non-compliance - Awards made to supplier whose director is employed by the municipality or whom has family within the municipality | None | - | 819 940 |
| 2019 List of Irregular expenditure - Non-compliance - Awards made to supplier who is not listed on NT Central Suppliers Database | None | - | 200 609 |
| 2019 List of Irregular expenditure - Non-compliance - Payments made above the upper limits | None | - | 3 890 |
| 2019 - List of Irregular expenditure - Non-compliance with Supply Chain Management Policy - Regulation 32 | None | - | 2 289 882 |
| 2020 List of Irregular Expenditure - Non-compliance - No 3 quotations or approved deviation report by Accounting Officer. | None | 6 175 067 | - |
| 2020 List of Irregular expenditure - Non-compliance - No 3 quotations. No appointment letter or Evaluation report by SCM. No approved deviation report by | None | 3 051 555 | - |
| 2020 List of Irregular expenditure - Non-compliance - No bidding process followed. No appointment letter of contractor or Evaluation report by SCM. No | None | 3 285 225 | - |
| 2020 List of Irregular expenditure - Non-compliance - Awards made to supplier whose director is employed by the municipality or whom has family within the | None | 226 076 | - |
| 2020 List of Non-compliance with Supply Chain Management Policy - Regulation 29 - Bid Adjudication committee | None | 30 547 526 | - |
| 2020 - List of Irregular expenditure - Non-compliance with Supply Chain Management Policy - Regulation 32 | None | 2 709 686 | - |

The list of Irregular expenditure will be investigated in the next financial year and proceedings will be reported on.

44.4 **Material Losses**

Electricity distribution losses

| | | |
|--|------------|------------|
| Units purchased (Kwh) | 14 971 836 | 14 035 981 |
| - Units lost during distribution (Kwh) | 933 337 | 81 195 |
| - Percentage lost during distribution | 6.23% | 0.58% |

Water distribution losses

| | | |
|--|-----------|-----------|
| - Mega litres purified | 3 376 720 | 2 636 026 |
| - Mega litres lost during distribution | 1 518 684 | 995 837 |
| - Percentage lost during distribution | 44.98% | 37.78% |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| 45 | ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT | 2020 R | 2019 R |
|-------------|---|---|---|
| 45.1 | <u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u> | | |
| | Opening balance | 3 127 640 | 2 621 435 |
| | Council subscriptions | 507 705 | 506 205 |
| | Amount paid - current year | - | - |
| | Amount paid - previous years | - | - |
| | Balance unpaid | 3 635 345 | 3 127 640 |
| 45.2 | <u>Audit fees - [MFMA 125 (1)(b)]</u> | | |
| | Opening balance | 2 239 836 | 409 368 |
| | Current year audit fee | 4 407 612 | 2 843 287 |
| | Amount paid - current year | (242 879) | (43 483) |
| | Amount paid - previous year | (213 586) | (232 023) |
| | Public contribution & donations received | (1 115 675) | (737 312) |
| | Balance unpaid (included in creditors) | 5 075 308 | 2 239 836 |
| 45.3 | <u>VAT - [MFMA 125 (1)(b)]</u> | | |
| | VAT | 15 111 216 | 7 035 045 |
| | VAT is payable/receivable on the cash basis. | | |
| | | 2020 R | 2019 R |
| 45.4 | <u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u> | | |
| | Opening balance | 2 091 204 | 2 508 793 |
| | Current year payroll deductions and Council Contributions | 6 615 490 | 5 957 584 |
| | Amount paid - current year | -3 240 953 | -3 866 380 |
| | Amount paid - previous year | -2 091 204 | -2 508 793 |
| | Balance unpaid (included in creditors) | 3 374 538 | 2 091 204 |
| 45.5 | <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u> | | |
| | Opening balance | 749 992 | 3 552 961 |
| | Current year payroll deductions and Council Contributions | 9 228 755 | 8 522 519 |
| | Amount paid - current year | -8 816 469 | -7 772 527 |
| | Amount paid - previous year | -749 992 | -3 552 961 |
| | Balance unpaid (included in creditors) | 412 286 | 749 992 |
| 45.6 | <u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u> | | |
| | The following Councillors had arrear accounts for more than 90 days as at 30 June 2020: | | |
| | | 2020 R Outstanding more than 90 days | 2019 R Outstanding more than 90 days |
| | GA. Speelman | - | 388 |
| | JT Yawa | 88 382 | 102 199 |
| | G Maritz | - | 29 941 |
| | A Roberts | - | 15 811 |
| | E Adams | - | 4 997 |
| | Total Councillor Arrear Consumer Accounts | 88 382 | 153 336 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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FINANCIAL RISK MANAGEMENT

**2020
R**

**2019
R**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

**2020
R**

**2019
R**

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2018 - 0.5%) Increase in interest rates
0.5% (2018 - 0.5%) Decrease in interest rates

59 004
(59 004)

86 894
(86 894)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 9 for balances included in receivables that were re-negotiated for the period under review.

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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FINANCIAL RISK MANAGEMENT (CONTINUED)

| | | | 2020 R | 2019 R |
|---------------------------------|-------------|-------------|-------------------------|-------------------------|
| Balances past due not impaired: | | | | |
| | 2020 | 2020 | 2019 | 2019 |
| | % | R | % | R |
| <u>Non-Exchange Receivables</u> | | | | |
| Rates | 100.00% | 900 496 | 100.00% | 1 306 954 |
| <u>Exchange Receivables</u> | | | | |
| Electricity | 24% | 1 485 708 | 30% | 1 015 588 |
| Water | 50% | 3 124 383 | 48% | 1 614 973 |
| Refuse | 7% | 411 663 | 6% | 212 266 |
| Sewerage | 17% | 1 080 603 | 14% | 461 416 |
| Other | 1% | 87 050 | 2% | 68 797 |
| | 100.00% | 6 189 407 | 100.00% | 3 373 040 |

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 9 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

| | 2020 | 2020 | 2019 | 2019 |
|------------------------|-------------|-------------|-------------|-------------|
| | % | R | % | R |
| Electricity | 6.11% | 6 897 971 | 4.51% | 4 228 953 |
| Water | 46.41% | 52 412 769 | 47.08% | 44 150 640 |
| Refuse | 4.82% | 5 440 419 | 4.92% | 4 610 665 |
| Sewerage | 12.32% | 13 914 398 | 13.14% | 12 321 306 |
| Other Consumer Arrears | 3.17% | 3 577 413 | 3.22% | 3 022 170 |
| Rates | 25.15% | 28 402 207 | 24.96% | 23 407 118 |
| Other Sundry Debtors | 1.99% | 2 247 799 | 2.11% | 1 977 697 |
| Long-term Receivables | 0.05% | 51 727 | 0.05% | 50 486 |
| | 100.00% | 112 944 704 | 100.00% | 93 769 034 |

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

| | | |
|---|------------|------------|
| Trade receivables and other receivables | 19 086 792 | 15 409 045 |
| Cash and Cash Equivalents | 13 105 172 | 19 142 650 |
| | 32 191 964 | 34 553 689 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R2019
R

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FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 1 year | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
|--|---------------------|--------------------------|---------------------------|-------------------|
| 2020 | | | | |
| Long Term liabilities | 856 902 | 1 483 662 | - | - |
| Capital repayments | 521 043 | 781 845 | - | - |
| Interest | 335 859 | 701 817 | - | - |
| Payables From Exchange Transactions | 125 716 526 | - | - | - |
| Provisions | 4 462 781 | - | - | 75 414 166 |
| Capital repayments | 4 462 781 | - | - | 8 475 239 |
| Interest | - | - | - | 66 938 928 |
| | <u>131 036 208</u> | <u>1 483 662</u> | <u>-</u> | <u>75 414 166</u> |
| 2019 | | | | |
| Long Term liabilities | 830 108 | 1 343 500 | - | - |
| Capital repayments | 579 985 | 1 063 304 | - | - |
| Interest | 250 123 | 149 010 | - | - |
| Payables From Exchange Transactions | 81 683 397 | - | - | - |
| Provisions | 3 916 629 | - | - | 42 296 836 |
| Capital repayments | 3 916 629 | - | - | 18 744 289 |
| Interest | - | - | - | 23 552 547 |
| Unspent conditional government grants and receipts | - | - | - | - |
| | <u>86 430 135</u> | <u>1 343 500</u> | <u>-</u> | <u>42 296 836</u> |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | 2020 R | 2019 R |
|------|--|---|--------------------|
| 48 | FINANCIAL INSTRUMENTS | | |
| | In accordance with GRAP 104 the financial instruments of the municipality are classified as follows: | | |
| | The fair value of financial instruments approximates the amortised costs as reflected below. | | |
| 48.1 | Financial Assets | | |
| | Classification IAS 39 | | |
| | Long-term Receivables | | |
| | Trade and other receivables with arrangements | Financial instruments at amortised cost | - |
| | Consumer Debtors | | |
| | Trade receivables from exchange transactions | Financial instruments at amortised cost | 15 481 668 |
| | Other receivables from exchange transactions | Financial instruments at amortised cost | 12 500 948 |
| | Trade receivables from non-exchange transactions | Financial instruments at amortised cost | 3 605 124 |
| | Current Portion of Long-term Receivables | | |
| | Trade and other receivables with arrangements | Financial instruments at amortised cost | - |
| | Short-term Investment Deposits | | |
| | Call Deposits | Financial instruments at amortised cost | 12 271 087 |
| | Bank Balances and Cash | | |
| | Bank Balances | Financial instruments at amortised cost | - |
| | Cash Floats and Advances | Financial instruments at amortised cost | 1 500 |
| | | 31 359 379 | 34 299 178 |
| | SUMMARY OF FINANCIAL ASSETS | | |
| | Financial instruments at amortised cost | 31 359 379 | 34 299 178 |
| 48.2 | Financial Liability | | |
| | Classification IAS 39 | | |
| | Long-term Liabilities | | |
| | Capitalised Lease Liability | Financial instruments at amortised cost | 781 845 |
| | Trade Payables | | |
| | Trade creditors | Financial instruments at amortised cost | 125 716 526 |
| | Unspent Conditional Grants and Receipts | | |
| | Other Spheres of Government | Financial instruments at amortised cost | 11 894 319 |
| | Current Portion of Long-term Liabilities | | |
| | Capitalised Lease Liability | Financial instruments at amortised cost | 521 043 |
| | Bank Balances and Cash | | |
| | Bank Balances | Financial instruments at amortised cost | - |
| | | 138 916 733 | 106 885 537 |
| | SUMMARY OF FINANCIAL LIABILITY | | |
| | Financial instruments at amortised cost | 138 916 733 | 106 885 537 |
| 49 | EVENTS AFTER THE REPORTING DATE | 2020 R | 2019 R |
| | The municipality has no events after reporting date during the financial year ended 30 June 2020 | | |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | 2020 R | 2019 R |
|---|-----------|-----------|
| RELATED PARTIES (CONTINUED) | | |
| 53.2 Related Party Loans | | |
| Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 7 to the Annual Financial Statements. | | |
| 53.3 Compensation of key management personnel | | |
| The compensation of key management personnel is set out in note 28 to the Annual Financial Statements. | | |
| 53.4 Other related party transactions | | |
| The following purchases were made during the year where Councillors or Management have an interest: | | |
| IWJ Stadhouer is a minor shareholder and resigned as non-executive director at GWK during the financial year. Siyathemba Municipality transacted during the financial year with GWK amounting to R635 6661.82 | | |
| PW Saaiman has financial interest in Pronto Transport (Pty) Ltd and Clever More (Pty) Ltd. No transactions were entered into during the year under review. | | |
| PW Saaiman has shares within Pixley Ka Seme Resource Imusa Trading. No transactions were entered into during the year under review. | | |
| 54 FINANCIAL SUSTAINABILITY | | |
| The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows: | | |
| Financial Indicators | | |
| The current ratio decreased to 0.32:1 from 0.36:1 in the prior year. | | |
| The municipality has furthermore budgeting for positive cash flows during 2020/2021 and 2021/2022 amounting to R24 717 000 and R40 300 000 respectively. | | |
| The average debtors' payment days increased to 1429 days from 1051 days. The debtors impairment ratio increased to 86% from the previous year's 86%. | | |
| The municipality is unable to meet its obligation when due, this was evidence by suppliers not being paid within 30 days. | | |
| Furthermore the municipality incurred a net profit during the 2019/20 financial year amounting to R-6698045 and a net loss in the 2018/19 financial year amounting to R53149055 | | |
| Creditors payment period amounts to 341 days during 2019/20 and 236 days during 2018/19. | | |
| Other Indicators | | |
| Possible outflow of resources due the contingent liability disclosed in note 52 | | |
| The municipality is currently engaging with NT and PT in order to assist with a way forward relating to the large outstanding Eskom debt which comprises 67% of all outstanding creditors. | | |
| The municipality adjusted budget for 2019/20 shows an improved cash flow and resulting in a positive cash balance in the 2 outer financial years. | | |
| The municipality is expecting operating government grants amounting to R40 440 000 in the next financial year. | | |

SIYATHEMBA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | | | |
|-----------|--|-------------|-------------|
| 54 | FINANCIAL SUSTAINABILITY (CONTINUE) | 2020 | 2019 |
| | | R | R |

COVID-19 - Background

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

COVID-19 - Impact on Municipality

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As far as possible the Municipality factored in the effect of the lockdown regulations on our economic environment. At this stage, it is still uncertain how long the pandemic will remain or how long the economy will take to recover from the lockdown levels.

The Municipality assessed the impact of the COVID-19 pandemic by comparing the financial indicators of 2018/2019 and 2019/2020 as illustrated below. The results are not solely due to the effect of COVID-19 and subsequent lockdown regulations, but are significantly impacted by the pandemic.

| | 2020 | 2019 |
|---|-------------|-------------|
| | R | R |
| Cash available for working capital requirement (Rand) | 1 210 853 | (4 294 161) |
| Current Ratio (norm - 2:1) | 0.32 : 1 | 0.36 : 1 |
| Creditors days (norm - 30 days or less) | 341 days | 236 days |
| Average debtors payment days | 1429 days | 1051 days |
| Debt impairment ratio (norm - 95% or more) | 86% | 86% |

When analysing the results of the ratios, it can be concluded that the COVID-19 pandemic had an adverse

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going

COVID-19 - Response Expenditure

There is no prior year information available regarding expenditure in lieu of Covid-19. The summary below

| | 2020 | 2019 |
|--|---------------|-------------|
| | R | R |
| <u>Type of expenditure</u> | | |
| Personal Protective Equipment | 45 000 | - |
| Protective clothing | 18 156 | - |
| Public awareness and advertising | 2 130 | - |
| Sanitiser and Equipment | 24 655 | - |
| | 89 941 | - |
| The Covid-19 response expenditure was funded from the following sources: | | |
| Own Revenue | 23 941 | - |
| Grant Funding - National Government | 66 000 | - |
| | 89 941 | - |

APPENDIX A - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

| EXTERNAL LOANS | Rate | Loan Number | Redeemable | Balance at 30 June 2019 | Correction of Error | Balance at 30 June 2019 Restated | Received during the period | Redeemed written off during the period | Balance at 30 June 2020 |
|--------------------------------|------------|--------------------------|------------|-------------------------|---------------------|----------------------------------|----------------------------|--|-------------------------|
| LEASE LIABILITY | | | | | | | | | |
| Finance lease liability | 10.5% | Nizak | 31/10/2021 | 1 132 754 | - | 1 132 754 | - | (451 868) | 680 886 |
| Finance lease liability | 11 to 25% | Nashua | 28/02/2022 | 525 387 | - | 525 387 | - | (525 387) | - |
| Finance lease liability | 38 to 123% | Nashua | 30/11/2024 | - | - | - | 543 050 | (12 451) | 530 599 |
| Smartmeters | 28 to 35% | Gridcontrol Technologies | 30/04/2023 | 104 187 | - | 104 187 | - | (12 783) | 91 404 |
| | | | | | | | - | | |
| Total Lease Liabilities | | | | 1 762 328 | - | 1 762 328 | 543 050 | (1 002 490) | 1 302 888 |
| | | | | | | | | | |
| TOTAL EXTERNAL LOANS | | | | 1 762 328 | - | 1 762 328 | 543 050 | (1 002 490) | 1 302 888 |
| | | | | | | | | | |

APPENDIX B - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
MUNICIPAL VOTES CLASSIFICATION

| 2019 Actual Income R | 2019 Actual Expenditure R | 2019 Surplus/ (Deficit) R | | 2020 Actual Income R | 2020 Actual Expenditure R | 2020 Surplus/ (Deficit) R |
|---|--|--|---------------------------------|---|--|--|
| 928 451 | (15 994 167) | (15 065 716) | Council General | 1 051 490 | (16 323 117) | (15 271 627) |
| - | (917 141) | (917 141) | Municipal Manager | - | (1 073 975) | (1 073 975) |
| - | - | - | Financial Services | - | (131 723) | (131 723) |
| 23 440 704 | (51 109 027) | (27 668 323) | Budget and Treasury | 27 097 997 | (54 191 941) | (27 093 944) |
| 12 579 895 | - | 12 579 895 | Assessment Rates | 13 743 656 | - | 13 743 656 |
| 70 784 485 | (4 930 263) | 65 854 223 | Corporate Services | 503 010 | (5 072 237) | (4 569 227) |
| 653 062 | (483 642) | 169 420 | Municipal Buildings and Offices | 839 357 | (669 879) | 169 478 |
| 29 825 | - | 29 825 | Housing : Employee Scheme | 13 201 | - | 13 201 |
| 291 511 | (1 853) | 289 658 | Meent | 72 589 | - | 72 589 |
| 1 090 000 | (1 670 800) | (580 800) | Libraries | 1 090 000 | (1 656 336) | (566 336) |
| 49 150 | (61 669) | (12 519) | Cemetaries | 66 092 | (72 354) | (6 262) |
| 174 | - | 174 | Housing Scheme | 1 120 | - | 1 120 |
| 754 825 | (1 636 144) | (881 319) | Licencing and Traffic | 356 294 | (1 635 487) | (1 279 193) |
| - | (384 628) | (384 628) | Technical Services Admin | - | (782 326) | (782 326) |
| - | (1 090) | (1 090) | Airport | - | (1 160) | (1 160) |
| - | (2 061 388) | (2 061 388) | Parks & Recreation | - | (2 297 027) | (2 297 027) |
| 9 512 396 | (12 184 288) | (2 671 892) | Public Works | 6 601 396 | (12 415 908) | (5 814 512) |
| 21 988 369 | (23 483 302) | (1 494 932) | Electricity | 25 716 659 | (29 455 064) | (3 738 405) |
| 32 906 643 | (12 800 062) | 20 106 581 | Water Services | 50 095 976 | (15 400 663) | 34 695 313 |
| 13 596 843 | (8 252 353) | 5 344 490 | Sewerage Services | 11 831 724 | (6 746 322) | 5 085 402 |
| 4 522 922 | (5 661 849) | (1 138 927) | Cleansing Services | 6 568 131 | (6 232 765) | 335 366 |
| - | (36 326) | (36 326) | Fire Brigade | - | (32 433) | (32 433) |
| 193 129 257 | (141 686 338) | 51 442 919 | Sub Total | 145 648 692 | (154 204 915) | (8 556 223) |
| - | 1 706 136 | 1 706 136 | Less Inter-Departmental Charges | - | 1 858 175 | 1 858 175 |
| 193 129 257 | (139 980 202) | 53 149 055 | Total | 145 648 692 | (152 346 740) | (6 698 048) |
| | | | | | | |

APPENDIX C - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
GENERAL FINANCE STATISTIC CLASSIFICATIONS

| 2019 Actual Income R | 2019 Actual Expenditure R | 2019 Surplus/ (Deficit) R | | 2020 Actual Income R | 2020 Actual Expenditure R | 2020 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|---------------------------------|-------------------------------|------------------------------------|------------------------------------|
| 928 451 | (16 911 308) | (15 982 856) | Executive & Council | 1 051 490 | (17 397 092) | (16 345 602) |
| 107 749 657 | (56 910 503) | 50 839 154 | Budget & Treasury | 42 256 609 | (60 849 265) | (18 592 656) |
| 1 139 150 | (1 732 469) | (593 319) | Community & Social Services | 1 156 092 | (1 728 690) | (572 598) |
| 29 999 | - | 29 999 | Housing | 14 321 | - | 14 321 |
| - | (36 326) | (36 326) | Public Safety | - | (32 433) | (32 433) |
| - | (2 061 388) | (2 061 388) | Sport & Recreation | - | (2 297 027) | (2 297 027) |
| 4 522 922 | (5 661 849) | (1 138 927) | Waste Management | 6 568 131 | (6 232 765) | 335 366 |
| 13 596 843 | (8 252 353) | 5 344 490 | Waste Water Management | 11 831 724 | (6 746 322) | 5 085 402 |
| 10 267 221 | (13 820 432) | (3 553 211) | Road Transport | 6 957 690 | (14 051 395) | (7 093 705) |
| 32 906 643 | (12 800 062) | 20 106 581 | Water | 50 095 976 | (15 400 663) | 34 695 313 |
| 21 988 369 | (23 483 298) | (1 494 928) | Electricity | 25 716 659 | (29 455 060) | (3 738 401) |
| | | | | | | - |
| 193 129 257 | (141 686 334) | 51 442 923 | Sub Total | 145 648 692 | (154 204 910) | -8 556 218 |
| - | 1 706 136 | 1 706 136 | Less Inter-Departmental Charges | - | 1 858 175 | 1 858 175 |
| 193 129 257 | (139 980 198) | 53 149 059 | Total | 145 648 692 | (152 346 735) | (6 698 043) |
| | | | | | | |

APPENDIX D - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 1 July 2019 | Correction of error | Restated balance 1 July 2019 | Contributions during the year | Transfer | Interest on Investments | Other Income | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Balance 30 June 2020 |
|--|------------------------|------------------------|------------------------------------|----------------------------------|-------------|----------------------------|-----------------|--|--|-------------------------|
| UNSPENT/UNPIAD CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | R | R | R | R | R | R | R | R | R | R |
| Library Project | - | - | - | 1 090 000 | - | - | - | 1 090 000 | - | - |
| FMG | - | - | - | 2 880 000 | - | - | - | 2 880 000 | - | - |
| Equitable Share | - | - | - | 27 197 000 | 5 742 000 | - | - | 32 939 000 | - | - |
| MSIG | - | - | - | - | - | - | - | - | - | - |
| MIG | 17 189 013 | - | 17 189 013 | 19 829 000 | - | - | - | - | 31 713 318 | 5 304 695 |
| LG Seta | - | - | - | - | - | - | - | - | - | - |
| EPWP | - | - | - | 1 131 000 | - | - | - | 1 131 000 | - | - |
| INEG | - | - | - | 8 860 000 | - | - | - | - | 2 481 356 | 6 378 644 |
| RBIG | 208 780 | - | 208 780 | - | - | - | - | - | - | 208 780 |
| WSIG | 6 036 818 | - | 6 036 818 | 6 700 000 | (5 742 000) | - | - | - | 6 994 818 | - |
| COGSTA | 2 200 | - | 2 200 | - | - | - | - | - | - | 2 200 |
| Kgotso Pula Nala | - | - | - | - | - | - | - | - | - | - |
| Disaster relief - Covid 19 | - | - | - | 66 000 | - | - | - | 21 000 | 45 000 | - |
| Total | 23 436 811 | - | 23 436 811 | 67 753 000 | - | - | - | 38 061 000 | 41 234 492 | 11 894 319 |

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

| Description | 2019/2020 | | | | | | | 2018/2019 |
|--|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| R thousand | | | | | | | | |
| <u>Revenue - Standard</u> | | | | | | | | |
| <i>Governance and administration</i> | 49 040 | (5 900) | 43 140 | 43 308 | 168 | 100.4% | 88.3% | 108 678 |
| Executive and council | 1 138 | (74) | 1 064 | 1 051 | (12) | 98.9% | 92.4% | 928 |
| Finance and administration | 47 902 | (5 826) | 42 076 | 42 257 | 180 | 100.4% | 88.2% | 107 750 |
| Internal audit | - | - | - | - | - | - | - | - |
| <i>Community and public safety</i> | 17 085 | (6 205) | 10 880 | 1 170 | (9 710) | 10.8% | 6.9% | 1 169 |
| Community and social services | 610 | 872 | 1 482 | 1 156 | (326) | 78.0% | 189.5% | 1 139 |
| Sport and recreation | - | - | - | - | - | 100.0% | 100.0% | - |
| Public safety | - | - | - | - | - | 100.0% | 100.0% | - |
| Housing | 16 475 | (7 077) | 9 398 | 14 | (9 384) | 0.2% | 0.1% | 30 |
| Health | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | 9 840 | 1 131 | 10 971 | 6 958 | (4 013) | 63.4% | 70.7% | 10 267 |
| Planning and development | - | - | - | - | - | - | - | - |
| Road transport | 9 840 | 1 131 | 10 971 | 6 958 | (4 013) | 63.4% | 70.7% | 10 267 |
| Environmental protection | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | 55 034 | 4 611 | 59 645 | 94 212 | 34 567 | 158.0% | 171.2% | 73 015 |
| Electricity | 27 045 | (2 340) | 24 705 | 25 717 | 1 012 | 104.1% | 95.1% | 21 988 |
| Water | 18 523 | 6 951 | 25 474 | 50 096 | 24 622 | 196.7% | 270.5% | 32 907 |
| Waste water management | 4 683 | - | 4 683 | 11 832 | 7 149 | 252.7% | 252.7% | 13 597 |
| Waste management | 4 780 | - | 4 780 | 6 568 | 1 788 | 137.4% | 137.4% | 4 523 |
| <i>Other</i> | 3 | 0 | 3 | - | (3) | - | - | - |
| Total Revenue - Standard | 130 999 | (6 363) | 124 636 | 145 649 | 21 013 | 116.9% | 111.2% | 193 129 |
| <u>Expenditure - Standard</u> | | | | | | | | |
| <i>Governance and administration</i> | 48 291 | 1 699 | 49 989 | 77 951 | 27 961 | 155.9% | 161.4% | 73 514 |
| Executive and council | 8 141 | 0 | 8 141 | 17 397 | 9 256 | 213.7% | 213.7% | 16 911 |
| Finance and administration | 40 150 | 1 699 | 41 849 | 60 554 | 18 705 | 144.7% | 150.8% | 56 603 |
| Internal audit | - | - | - | - | - | - | - | - |
| <i>Community and public safety</i> | 3 359 | (300) | 3 059 | 3 770 | 710 | 123.2% | 112.2% | 3 571 |
| Community and social services | 1 668 | (300) | 1 368 | 1 616 | 248 | 118.1% | 96.9% | 1 642 |
| Sport and recreation | 1 679 | - | 1 679 | 2 107 | 428 | 125.5% | 125.5% | 1 876 |
| Public safety | 12 | - | 12 | 32 | 21 | 275.7% | 275.7% | 36 |
| Housing | - | - | - | - | - | - | - | - |
| Health | - | - | - | 14 | 14 | 100.0% | 100.0% | 16 |
| <i>Economic and environmental services</i> | 6 983 | (0) | 6 983 | 13 902 | 6 920 | 199.1% | 199.1% | 13 672 |
| Planning and development | - | - | - | - | - | - | - | - |
| Road transport | 6 983 | (0) | 6 983 | 13 902 | 6 920 | 199.1% | 199.1% | 13 672 |
| Environmental protection | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | 38 005 | (651) | 37 354 | 56 724 | 19 370 | 151.9% | 149.3% | 49 223 |
| Electricity | 24 095 | (101) | 23 994 | 29 455 | 5 461 | 122.8% | 122.2% | 23 483 |
| Water | 5 737 | (162) | 5 574 | 14 345 | 8 770 | 257.3% | 250.1% | 11 874 |
| Waste water management | 3 884 | (163) | 3 721 | 6 692 | 2 971 | 179.8% | 172.3% | 8 204 |
| Waste management | 2 799 | (225) | 2 574 | 6 233 | 3 659 | 242.1% | 222.7% | 5 662 |
| <i>Other</i> | 1 491 | 0 | 1 491 | - | (1 491) | - | - | - |
| Total Expenditure - Standard | 96 637 | 748 | 97 385 | 152 347 | 54 962 | 156.4% | 157.6% | 139 980 |
| Surplus/(Deficit) for the year | 34 362 | (7 111) | 27 251 | (6 698) | (33 949) | -24.6% | -19.5% | 53 149 |

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

| Description R thousand | 2019/2020 | | | | | | | 2018/2019 |
|---|-----------------|---|-----------------------------|-------------------|---|---|---|-----------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| Revenue by Vote | | | | | | | | |
| Executive & Council | 1 064 | – | 1 064 | 1 051 | (12) | 98.9% | 98.9% | 928 |
| Budget & Treasury Office | 47 038 | (5 826) | 41 212 | 40 842 | (370) | 99.1% | 86.8% | 36 021 |
| Corporate & Community Services | 17 953 | (6 205) | 11 748 | 2 942 | (8 806) | 25.0% | 16.4% | 73 653 |
| Infrastructure Services | 64 875 | 5 738 | 70 613 | 100 814 | 30 201 | 142.8% | 155.4% | 82 527 |
| Electricity Distribution | – | – | – | – | – | – | – | – |
| Water Services | – | – | – | – | – | – | – | – |
| Sewerage Services | – | – | – | – | – | – | – | – |
| Cleansing Services | – | – | – | – | – | – | – | – |
| Total Revenue by Vote | 130 930 | (6 294) | 124 636 | 145 649 | 21 013 | 116.9% | 111.2% | 193 129 |
| Expenditure by Vote to be appropriated | | | | | | | | |
| Executive & Council | 7 985 | 0 | 7 985 | 17 397 | 9 412 | 217.9% | 217.9% | 16 911 |
| Budget & Treasury Office | 35 035 | 2 099 | 37 134 | 54 324 | 17 189 | 146.3% | 155.1% | 51 109 |
| Corporate & Community Services | 9 911 | 1 600 | 11 512 | 10 836 | (676) | 94.1% | 109.3% | 10 299 |
| Community Services | – | – | – | – | – | – | – | – |
| Infrastructure Services | 43 705 | 3 050 | 46 755 | 69 790 | 23 036 | 149.3% | 159.7% | 61 661 |
| Total Expenditure by Vote | 96 637 | 6 748 | 103 385 | 152 347 | 48 961 | 147.4% | 157.6% | 139 980 |
| Surplus/(Deficit) for the year | 34 292 | (13 042) | 21 250 | (6 698) | (27 949) | -31.5% | -19.5% | 53 149 |

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

| Description | 2019/2020 | | | | | | | 2018/2019 |
|--|-----------------|---|-----------------------------|-------------------|---|---|---|-----------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| R thousand | | | | | | | | |
| Revenue By Source | | | | | | | | |
| Property rates | 13 836 | – | 13 835 | 13 744 | (92) | 99.3% | 99.3% | 12 580 |
| Service charges - electricity revenue | 19 317 | – | 19 317 | 20 240 | 923 | 104.8% | 104.8% | 18 235 |
| Service charges - water revenue | 14 268 | – | 14 268 | 15 213 | 945 | 106.6% | 106.6% | 11 905 |
| Service charges - sanitation revenue | 4 688 | – | 4 688 | 5 187 | 499 | 110.7% | 110.7% | 4 753 |
| Service charges - refuse revenue | 1 944 | – | 1 944 | 2 180 | 236 | 112.1% | 112.1% | 1 919 |
| Service charges - other | – | – | – | – | – | – | – | – |
| Rental of facilities and equipment | 10 238 | – | 10 238 | 926 | (9 311) | 9.0% | 9.0% | 975 |
| Interest earned - external investments | 4 | – | 4 | 487 | 483 | 11345.4% | 11348.1% | 544 |
| Interest earned - outstanding debtors | 1 708 | – | 1 708 | 2 068 | 361 | 121.1% | 121.1% | 1 772 |
| Dividends received | – | – | – | – | – | – | – | – |
| Fines | 14 | – | 14 | 2 | (12) | 11.6% | 11.6% | – |
| Licences and permits | 1 206 | – | 1 206 | – | (1 206) | – | – | – |
| Agency services | 0 | – | 0 | 355 | 355 | 35469412.4% | 35469412.4% | 755 |
| Transfers recognised - operational | 38 429 | – | 38 429 | 39 327 | 898 | 102.3% | 102.3% | 36 018 |
| Other revenue | 1 600 | – | 1 601 | 4 684 | 3 084 | 100.0% | 100.0% | 72 959 |
| Gains on disposal of PPE | – | – | – | – | – | 100.0% | 100.0% | – |
| Total Revenue (excluding capital transfers and contributions) | 107 252 | – | 107 252 | 104 414 | (2 838) | 97.4% | 97.4% | 162 413 |
| Expenditure By Type | | | | | | | | |
| Employee related costs | 39 110 | (4 600) | 34 510 | 45 522 | 11 012 | 131.9% | 116.4% | 42 955 |
| Remuneration of councillors | 2 683 | – | 2 683 | 3 510 | 827 | 130.8% | 130.8% | 3 543 |
| Debt impairment | 1 | – | 1 | 17 361 | 17 361 | 2962700.0% | 2962700.0% | 14 074 |
| Depreciation & asset impairment | 16 675 | – | 16 675 | 19 917 | 3 243 | 119.4% | 119.4% | 26 386 |
| Finance charges | 1 444 | (400) | 1 044 | 10 446 | 9 401 | 100.0% | 100.0% | 8 024 |
| Bulk purchases | 21 842 | (1 000) | 20 842 | 23 839 | 2 997 | 114.4% | 109.1% | 19 671 |
| Other materials | – | – | – | 4 268 | 4 268 | 100.0% | 100.0% | 3 723 |
| Contracted services | 12 473 | – | 12 473 | – | (12 473) | – | – | – |
| Transfers and grants | 1 744 | – | 1 744 | – | (1 744) | 100.0% | 100.0% | – |
| Other expenditure | 7 414 | – | 7 414 | 27 211 | 19 797 | 367.0% | 367.0% | 22 048 |
| Loss on disposal of PPE | – | – | – | 274 | 274 | 100.0% | 100.0% | (443) |
| Total Expenditure | 103 385 | (6 000) | 97 385 | 152 347 | 54 962 | 156.4% | 147.4% | 139 980 |
| Surplus/(Deficit) | 3 866 | 6 000 | 9 867 | (47 933) | (57 799) | -485.8% | -1239.7% | 22 433 |
| Transfers recognised - capital | 17 389 | – | 17 389 | 41 234 | 23 845 | 237.1% | 237.1% | 30 716 |
| Contributions recognised - capital | – | – | – | – | – | 100.0% | 100.0% | – |
| Contributed assets | – | – | – | – | – | 100.0% | 100.0% | – |
| Surplus/(Deficit) for the year | 21 255 | 6 000 | 27 256 | (6 698) | (33 954) | -24.6% | -31.5% | 53 149 |

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

| Description | 2019/2020 | | | | | | | 2018/2019 |
|---|-----------------|--------------------------------------|--------------------------|----------------|---|-------------------------------------|--|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| R thousand | | | | | | | | |
| Capital expenditure - Vote | | | | | | | | |
| Multi-year expenditure | | | | | | | | |
| Executive & Council | - | - | - | - | - | - | - | - |
| Budget & Treasury Office | - | - | - | - | - | - | - | - |
| Corporate Services | - | - | - | - | - | - | - | - |
| Community Services | 600 | - | 600 | - | (600) | - | - | - |
| Technical Services | 8 000 | - | 8 000 | 4 752 | (3 248) | 59.4% | 59.4% | 3 046 |
| Electricity Distribution | 1 110 | - | 1 110 | 2 197 | 1 087 | 197.9% | 100.0% | 986 |
| Water Services | 8 679 | - | 8 679 | 22 673 | 13 994 | 261.2% | 100.0% | 21 299 |
| Sewerage Services | 0 | - | 0 | 9 403 | 9 403 | 100.0% | 100.0% | 3 333 |
| Cleansing Services | 1 500 | - | 1 500 | - | (1 500) | - | - | - |
| Capital multi-year expenditure | 19 889 | - | 19 889 | 39 024 | 19 135 | 196.2% | 196.2% | 28 663 |
| Single-year expenditure | | | | | | | | |
| Executive & Council | - | - | - | - | - | 100.0% | 100.0% | - |
| Budget & Treasury Office | - | - | - | 655 | 655 | 100.0% | 100.0% | 267 |
| Corporate Services | - | - | - | - | - | - | - | - |
| Community Services | - | - | - | - | - | 100.0% | 100.0% | - |
| Technical Services | - | - | - | - | - | - | - | - |
| Electricity Distribution | - | - | - | - | - | - | - | - |
| Water Services | - | - | - | - | - | - | - | - |
| Sewerage Services | - | - | - | - | - | - | - | - |
| Cleansing Services | - | - | - | - | - | - | - | - |
| Capital single-year expenditure | - | - | - | 655 | 655 | 100% | 100% | 267 |
| Total Capital Expenditure - Vote | 19 889 | - | 19 889 | 39 680 | 19 791 | 200% | 200% | 28 930 |
| Capital Expenditure - Standard | | | | | | | | |
| Governance and administration | - | - | - | 655 | 655 | 100.0% | 100.0% | 328 |
| Executive and council | - | - | - | - | - | 100.0% | 100.0% | - |
| Budget and treasury office | - | - | - | 655 | 655 | 100.0% | 100.0% | 328 |
| Corporate services | - | - | - | - | - | - | - | - |
| Community and public safety | 600 | - | 600 | - | (600) | 100.0% | 100.0% | - |
| Community and social services | 600 | - | 600 | - | (600) | 100.0% | 100.0% | - |
| Sport and recreation | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | 100.0% | - |
| Housing | - | - | - | - | - | - | - | - |
| Health | - | - | - | - | - | - | - | - |
| Economic and environmental services | 8 000 | - | 8 000 | 4 752 | (3 248) | 100.0% | 100.0% | 3 046 |
| Planning and development | - | - | - | - | - | - | - | - |
| Road transport | 8 000 | - | 8 000 | 4 752 | (3 248) | 100.0% | 100.0% | 3 046 |
| Environmental protection | - | - | - | - | - | - | - | - |
| Trading services | 11 289 | - | 11 289 | 34 273 | 22 984 | 303.6% | 303.6% | 25 618 |
| Electricity | 1 110 | - | 1 110 | 2 197 | 1 087 | 197.9% | 197.9% | 986 |
| Water | 8 679 | - | 8 679 | 22 673 | 13 994 | 100.0% | 100.0% | 21 299 |
| Waste water management | 0 | - | 0 | 9 403 | 9 403 | 100.0% | 100.0% | 3 333 |
| Waste management | 1 500 | - | 1 500 | - | (1 500) | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total Capital Expenditure - Standard | 19 889 | - | 19 889 | 39 680 | 19 791 | 200% | 200% | 28 991 |
| Funded by: | | | | | | | | |
| National Government | 17 389 | 2 500 | 19 889 | 39 024 | 19 135 | 196.2% | 224.4% | 28 663 |
| Provincial Government | - | - | - | - | - | - | - | - |
| District Municipality | - | - | - | - | - | - | - | - |
| Other transfers and grants | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | 17 389 | 2 500 | 19 889 | 39 024 | 19 135 | 196% | 224% | 28 663 |
| Public contributions & donations | - | - | - | - | - | 100.0% | 100.0% | - |
| Borrowing | - | - | - | - | - | 100.0% | 100.0% | - |
| Internally generated funds | - | - | - | 655 | 655 | 100.0% | 100.0% | 267 |
| Total Capital Funding | 17 389 | 2 500 | 19 889 | 39 680 | 19 791 | 200% | 228% | 28 930 |

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
CASH FLOWS

| Description | 2019/2020 | | | | | | | 2018/2019 |
|---|-----------------|---|-----------------------------|-------------------|--|--|---|-----------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| R thousand | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Property rates, penalties & collection charges | 11 402 | – | 11 402 | 8 052 | (3 351) | 70.6% | 70.6% | 11 021 |
| Service charges | 29 693 | – | 29 693 | 17 585 | (12 108) | 59.2% | 59.2% | 17 354 |
| Other revenue | 6 805 | – | 6 805 | 13 633 | 6 827 | 200.3% | 200.3% | 4 657 |
| Government - operating | 36 950 | – | 36 950 | 38 061 | 1 111 | 103.0% | 103.0% | 35 308 |
| Government - capital | 17 389 | – | 17 389 | 23 313 | 5 924 | 134.1% | 134.1% | 54 151 |
| Interest | – | – | – | 487 | 487 | #DIV/0! | #DIV/0! | 544 |
| Dividends | – | – | – | – | – | – | – | – |
| Payments | | | | | | | | |
| Suppliers | (76 988) | 6 000 | (70 988) | (10 703) | 60 285 | 15.1% | 13.9% | (25 223) |
| Employees | (1 442) | – | (1 442) | (49 031) | (47 589) | 3400.2% | 3400.2% | (46 498) |
| Finance charges | (1 744) | – | (1 744) | (7 012) | (5 268) | 100.0% | 100.0% | (5 059) |
| Transfers and Grants | – | – | – | – | – | – | – | – |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 22 065 | 6 000 | 28 065 | 34 384 | 6 319 | 122.5% | 155.8% | 46 255 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Proceeds on disposal of PPE | – | – | – | 253 | 253 | 100.0% | 100.0% | 969 |
| Decrease (Increase) in non-current debtors | – | – | – | – | – | – | – | – |
| Decrease (increase) other non-current receivables | – | – | – | – | – | – | – | – |
| Decrease (increase) in non-current investments | – | – | – | – | – | – | – | – |
| Payments | | | | | | | | |
| Capital assets | (17 389) | – | (17 389) | (39 743) | (22 354) | 228.6% | 228.6% | (27 438) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (17 389) | – | (17 389) | (39 490) | (22 101) | 227.1% | 227.1% | (26 469) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Short term loans | – | – | – | – | – | – | – | – |
| Borrowing long term/refinancing | – | – | – | 1 | 1 | 100.0% | 100.0% | 3 |
| Increase (decrease) in consumer deposits | – | – | – | 71 | 71 | 100.0% | 100.0% | 50 |
| Payments | | | | | | | | |
| Repayment of borrowing | (541) | – | (541) | (1 002) | (462) | 100.0% | 100.0% | (845) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (541) | – | (541) | (931) | (390) | 100.0% | 100.0% | (791) |
| NET INCREASE/ (DECREASE) IN CASH HELD | 4 136 | 6 000 | 10 136 | (6 037) | (16 173) | -59.6% | -146.0% | 18 995 |
| Cash/cash equivalents at the year begin: | – | – | – | 19 143 | 19 143 | 100.0% | 100.0% | 148 |
| Cash/cash equivalents at the year end: | 4 136 | 6 000 | 10 136 | 13 105 | 2 579 | 129.3% | 316.9% | 19 143 |